THE FALLACIES OF LIFE INSURANCE

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THE FALLACIES OF LIFE INSURANCE

AN EXPLANATION OF THE MOST POPULAR FORMS OF LEGAL RESERVE LIFE INSURANCE POLICIES

ILLUSTRATIONS SHOWING PLANS FOR THE REFORMATION OF OBJECTIONABLE POLICIES WITHOUT LOSS TO THE INSURED OR REDUCTION OF THE DEATH CLAIM

HOW TO PURCHASE LIFE INSURANCE

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CHAPTER I

PREAMBLE

Article I. Object.

This book is written for the purpose of giving life insurance policy-holders, or the prospective purchasers of the same, an opportunity of gaining a thorough understanding of their policies, or the policies to be purchased, from the buying end of the deal, and if the reader will carefully peruse the following pages from an unbiased standpoint, the information and instructions herein contained may not only save the policy-holder a great deal of money in the handling of his life insurance, but will give him the satisfaction of knowing that he is getting the most for the money he is spending for the same.

2. Not a Criticism on True Life Insurance.

This work must not be taken as an attack or criticism on the true principles of life insurance. Life insurance is one of our greatest philanthropies, because the man of moderate financial means or even the poor man, by contributing a small portion of his income each year to the life insurance company, is able to perpetuate his income which would be lost by death, thereby protecting those dependent upon him against the loss of his productive worth.

It is perhaps on account of its great proven and almost indispensable value, that officers of the life insurance companies have taken advantage of this fact and use, as a cloak, this great proven worth to cover up gross injustices which are being perpetrated upon many of their policy-holders.

3. Education of the Public.

The life insurance companies for many years have expended vast sums of the policy-holders' money in educating the public to believe that real and "profitable investments" can be obtained by purchasing the so-called "investment policies" issued by these companies, and also that by purchasing limited payment whole life policies the insured will be able to secure his insurance at the smallest cost, and it will be many years before this evil will be entirely eradicated.

4. Inconsistent Arguments and Misleading Statements.

When the officers of the insurance companies or their agents are asked why the policies are sold which are so detrimental to the financial interests of the policy-holders, the general reply is, the public wants them or the public is clamoring for these forms of policies; that an insurance company is the same as a general store, and in order to be successful they must keep in stock for sale. The different commodities and at different prices to meet the demands of the public, the same as the proprietor of a general store would keep for sale the cheap and also the more expensive shoes, hats, clothing or any other commodity to be found in this class of stores.

This principle may be a good one to apply to the general store, and will not prove inconsistent to the customer, and a good one to apply to the insurance company, as far as the company is concerned, but a very unprofitable one when applied to the policy-holder for this reason, the customer may be justified in purchasing the more expensive articles because they not only look better, and perhaps fit better, and will undoubtedly wear longer, therefore the man who purchases a $5 pair of shoes instead of a $2 pair, or a $25 suit of clothes instead of a $10 suit, really gets value received, but how does the policy-holder get value re-

ceived where he purchases the high-costing insurance instead of the low-costing?

Where the insured at age 35 pays the net premium of $419.88 for a "paid-up" $1,000 death claim he pays for 61 years of insurance or to age 96, whether he is going to live to age 96 or not. Supposing he dies the first year, he has paid a pretty heavy premium for a $1,000 death claim. The ten, fifteen or twenty payment whole life policies are slightly modified forms of this objectionable form of policy.

Would the customer at age 35 be justified in contracting for enough wearing apparel of the store-keeper to last him for 61 years, or until he is 96 years of age? Most assuredly not. The chances are more than 1,000 to one that he would not live to age 96. He has only an even chance to live to about age 67. Competition or an oversupply might force the prices down and he would be able to purchase the articles contracted for at a much lower price in future years. There are a great number of reasons why a person should not purchase their wearing apparel for so many years in advance, and the customer knows at least some of the reasons and does not purchase the same in that manner.

There are a great many reasons why a policy-holder should not purchase his life insurance for so many years in advance, but he does not happen to remember any one of the reasons at the time the policy is purchased, or perchance does not KNOW of any good reason why he should not purchase his life insurance in this manner, consequently the single premium life insurance policy in some form or other is purchased. Perhaps it is on account of the same reason that the alleged "investment" policies are purchased.

The policy-holders to a certain extent are not to blame for purchasing the objectionable forms of life insurance policies. The officers of some of the insurance companies are to blame for this deplorable con-

dition. They have spent millions of dollars belonging to the policy-holders in educating the public to believe that the high-priced insurance furnishes insurance at the smallest cost to the insured, and that real and "profitable investments" may be secured by purchasing the high-priced forms of investment policies. See Article 245.

The officers of these dividend-paying and investment-offering companies are using every possible method to thwart the progress of a proper understanding of the fundamental principles of life insurance by the policy-holders and the public.

It is not uncommon to find notices printed on the policies issued by some of the insurance companies, stating that "It is not necessary for the insured or the beneficiary to employ the services of any person, firm or corporation, in collecting the insurance under this policy or in receiving any of its benefits. Time and expense will be saved by writing direct to the home office, or to the general agency where premium payments have been made," and should the insured accept these instructions and go to the company or its agents for any advice desired, he may rest assured that he will not receive any information which would be detrimental to the financial interests of the company.

If the insurance company always deals fairly with the beneficiaries under life insurance policies, why is it necessary for so many of the beneficiaries to be compelled to appeal to the courts to receive justice from the companies? Perhaps the best illustration of this point may be found in the opinion of Judge McCormick, in the case of the Merchants Life Association vs. Yoakum, Article 320.

A great many companies are constantly instructing their policy-holders by personal letter that no instructions or advice should be accepted from anyone, excepting the company or its agents, and as long as the

policy-holders persist in following these instructions, just so long will losses occur to the insured.

5. Objectionable Forms of Policies Issued.

There are several objectionable forms of policies now being issued by some of the life insurance companies which are not consistent with good business principles, and these policies are being purchased by the public, because the true principles therein contained are not properly understood.

The author is of the opinion that by giving a clear and comprehensive explanation of the future results to be obtained under these objectionable forms of policies they will not be purchased. There are many forms of policies which apparently offer alluring results as an "investment," and it is remarkable that such strong argument can be produced by the agents selling the same, to prove their contention that they actually afford not only a substantial, but a lucrative "investment."

6. No Small Task.

The author realizes that it is no small task to place in book form argument or explanations which will convince the policy-holders that discrimination is being practiced and injustices are being perpetrated upon the policy-holders by the life insurance companies. Perhaps the most positive proof of this assertion may be found by referring to an opinion rendered by Commissioner of Internal Revenue Royal E. Cabell of an act of August 5, 1909, regarding dividends of life insurance companies, which is given in full in Article 319.

7. Where Injustices Occur.

If the reader really wishes to learn where these discriminations and injustices occur, by setting aside all prejudice and placing the mind in a receptive mood,

the illustrations and comparisons herein contained will be clearly understood, thereby proving conclusively that these adverse conditions DO exist, and when the adverse conditions are understood, it is an easy matter to avoid them.

8. Misguided Policy-Holders.

While it may not be possible for all the misguided policy-holders to secure this MUCH NEEDED information, yet the author feels that if he has extended a helping hand to a small number, comparatively speaking, he has done well. As it is quite probable that a large number of policy-holders and prospective purchasers of the same will take advantage of the information herein contained, and apply the same to the reformation of their present policies, and to the purchase of new policies, it is only fair to presume that this work will be severely criticised by the unscrupulous agents of some of the life insurance companies, and as it will be impossible for the author to be present to meet these criticisms, it will be necessary to simplify this work to the fullest extent to enable the reader to quickly comprehend the information given regarding the point at issue, which will enable him to decide whether or not the criticism is justifiable.

9. General Understanding of Life Insurance Policies.

All complicated mathematical formulas or technicalities admissible of different constructions and perhaps criticisms by experts, will be eliminated in the following pages, when possible, even to the extent of possible infringement upon the accuracy of some specific point, if necessary, to illustrate a point as applied in a general way. In other words, it is not the intention of the author to give the public an education in actuarial science, but to give a general understanding of the results of the principles of life insurance from the insured's end of the deal.

10. Advantages and Disadvantages.

Having served fifteen years in the field as a life insurance solicitor the author has been brought in personal contact with many cases where life insurance has demonstrated its great ADVANTAGES, and after devoting five years to the study of the scientific principles used in establishing or calculating premium rates, the author has discovered many instances where certain forms of policies produce great DISADVANTAGES. Disadvantages mainly occur where the policy-holder is led to believe that under the different forms of limited payment policies the insured is enabled to carry his insurance at the smallest net cost on account of the cessation of premium payments after a specified number of years, and also that under certain forms of policies in addition to carrying the protection the policy will afford the insured a good "investment."

11. Investment Features for Fire Insurance Policies.

It would be just as consistent for the fire insurance companies to charge an excess premium over that actually required to carry the risk and give cash surrender values, paid-up values and "dividends" as it is for the life insurance companies to do so. Perhaps the reason this is not done is, because the fire insurance companies have not had millions of dollars belonging to the policy-holders to squander in educating the public to believe that the plan adopted by the life insurance companies would be profitable to **their** policy-holders.

If it is not good business prudence to pay for your fire insurance a great number of years in advance, thereby paying for insurance which may NEVER be needed, why should it be prudent to apply this principle in the purchase of life insurance? Your house may never burn, but you are sure to die. The chances

for your dying are greater than the chances are that the house may burn.

It would be a great deal more consistent with good sound business principles to apply the principles of saving, "investment" and "dividends" to the fire insurance policy than the life insurance policy for this reason, any excess premium paid to the life insurance company to be returned as "dividends," cash surrender values or "investments," at some future time, are always subjected to loss by death, and we can not prevent death. If this same excess premium charge was paid on the fire insurance policy the possibility of losing this excess money can be safeguarded, because it IS possible to prevent a fire.

The proper plan to adopt, where an "investment" is desired through the purchase of an insurance policy, would be to build a small fireproof building, have it insured on the twenty year endowment plan by paying to the company enough money in excess of the actual cost of the fire protection yearly to mature the endowment at the end of twenty years and pay a good, substantial "dividend" (if you wish large "dividends" pay in a large amount to be returned as "dividends"), and by adopting this plan the insured will be taking no chances of losing the excess money so paid for the endowment in the meantime. Fire insurance is purchased for PROTECTION, and life insurance should be purchased for PROTECTION.

12. Some Arguments Used By Insurance Companies.

Another point that deserves consideration which is used by the life insurance companies in their arguments to induce the insured to purchase the alleged "investment" policies is, that the life insurance companies promulgate thrift on the part of the policy-holders; that policy-holders are induced to save money by purchasing "investment" policies which they would not otherwise save, or that on account of having an

obligation to meet yearly they will meet this obligation, where the money required for the premiums, unless paid to the insurance companies, would be otherwise squandered in riotous or extravagant living, or to more explicit the company should be selected to act as "guardian" over its shiftless, money-spending, never saving policy-holders. At a glance this might be considered a very commendable act on the part of the life insurance companies, but let us anaylze this point and see if the insurance companies do really act as a trustworthy "guardian" of the policy-holders' money, as reviewed from a substantial sound principled basis. One of the strong inducements set forth to persuade the prospective purchaser of life insurance to purchase the high-priced so-called "investment" policy is, that the insured can secure a loan from the company on the sole security of the policy after the second or third premium has been paid. In other words, this excess money paid in for "investment" may be secured from the company at any time after the second or third annual premium has been paid. All that is required of the insured is, that by sending the policy to the company properly endorsed, he can secure the loan of his OWN MONEY by paying the company five or six per cent. interest in advance for the use of the same, and if the insured will continue paying the interest annually for his own money, it is not necessary to repay the amount "borrowed," the company being amply secured. Should death occur before the loan is repaid the company would simply deduct the amount advanced or loaned, from the death claim, and the beneficiary or estate would receive the balance; or, should the insured wish to surrender the policy. any time before the loan is repaid, the amount advanced or loaned would be deducted from the cash value of the policy.

13. Future Competency.

Is it not fair to presume that should the "spendthrift" squander all of the money he had except that which he had deposited with the insurance company to secure his "investment policy," that he would secure this money which is so accessible at all times and squander it also? Would the "spendthrift" seeking a guardian to care for his savings consider it prudent on his part to select a guardian who would accept his savings, deduct the amount of the fee charged for acting as guardian, and hold out as an inducement for being appointed guardian that the insured could withdraw the balance of his savings at any time, if he so desired? Perhaps the purchase of the "investment" policy would not materially affect the financial condition of the "spendthrift," because if he did not give the money to the insurance company it would have otherwise been squandered, but how would this "investment" policy apply to the hard-working, industrious policy-holder, who desired protection for those dependent upon him and who wished to accumulate a competency which would afford protection against poverty or want in old age should he live?

Would it not be gross mismanagement on his part to place his savings for years in the hands of the insurance company to be lost to his family or estate should his death occur before the end of the endowment period? If he had carried his insurance in an insurance company, and deposited his savings in a bank or trust company, should his death occur the insurance company would pay the death claim just the same and his family would also have the savings. It is not possible to combine the principle of life insurance and the principle of savings under the same contract without detriment to one or the other of them.

14. Insurance Company Not a Savings Bank.

The benefits to be derived from the insurance element of the policy can only be obtained upon the death of the insured. In order to receive benefits to be derived from the insurance element of the policy the insured must live. If the insured is going to live for a specified number of years to receive the benefits of his savings he certainly does not need life insurance, and all money paid for the insurance element will be lost to the insured. If the insured is going to die within a specified time, it is unwise to pay money to the insurance company in excess of the actual cost of the insurance to create an endowment which will be lost to the insured's estate in case of death. Where the insured purchases a life insurance policy containing the element of savings or "investment," the insured is bound to lose whether he lives or dies.

15. Savings Not Returned Where Insured Dies.

Under the present form of savings or "investment" policies if the insured desires to cancel or surrender the policy at any time, generally after the third premium has been paid, the company will return the greater portion of the premium paid, yet if the insured dies the company retains this element to help pay the death claim. Why should not this excess premium paid, to create the endowment, be returned to the beneficiary in addition to the original death claim upon the death of the insured?

16. Proper Education for the Public.

If the policy-holders' money which is now being used by the life insurance companies to educate the public to believe they are securing an "investment" under the present forms of the alleged "investment" policies, was used to educate the public HOW TO CARRY life insurance and also how to secure substantial and legitimate investments there would be mil-

lions of dollars saved yearly to the purchasers of life insurance. The life insurance company was never intended to compete or take the place of our banks or trust companies.

17. Misleading Arguments by Life Insurance Agents.

The arguments which are now being used by some of the agents of the life insurance companies in soliciting the prospective purchaser of life insurance are too often detrimental to the banking institutions. The agent seldom loses an opportunity to impress upon the mind of his prospect that he ONLY receives three per cent. interest upon his savings when deposited in the savings bank, and also that the bank is liable to fail at any time and the insurance companies never fail. Would it not be better for the agent when soliciting the prospective purchaser, to illustrate the true principles of life insurance, which is, protection for those dependent upon him; that this protection should be purchased at the smallest cost; that greater investments will be derived from his life insurance policy where the smaller premiums are paid, and to deposit his savings in some reliable trust company or bank or invest the same in good, substantial bonds paying at least five per cent., and by depositing or investing his savings in this manner he would not only be receiving the interest for the use of his money, but he would not be jeopardizing the same to loss by death in the meantime? The average man is no more liable to lose his money through the failure of the bank or trust company in which he has deposited the same, or any bonds he may have purchased, than he is to lose his savings by death when deposited with a life insurance company.

The life insurance agent never loses the opportunity to impress upon the mind of the prospective purchaser of life insurance, that the insurance company can invest his money for him to a better advantage than

he can; that it is not possible for the insured to invest a small amount of money advantageously; that the only thing left for him to do is to deposit it with some bank or trust company and only receive three per cent. for it, where, as a matter of fact, it is very easy to realize handsome "dividends" on very small sums of money, if the same is simply used to purchase the commodities or the necessities of life in large quantities, which will yield handsome profits. If a person has so much money that it is impossible to keep it invested in mortgages or bonds paying at least five per cent. and it is necessary for him to deposit the money in some bank for safe keeping, ONLY in this case should the value of money be placed at three per cent.

18. Money Value.

The money value basis used for calculating future results, in the following illustrations is placed at five per cent. for two reasons: FIRST, any person capable of earning money can invest the same and realize at least five per cent. upon the investment, and it is only where the money is invested in stocks or enterprises which promise a fabulous "dividend" that losses occur to the investor. It is very seldom that a reliable bank or trust company will offer for sale bonds paying more than five or six per cent., and this is considered a legitimate rate of interest to be paid for the use of money, and it is very seldom that the investor loses his money when invested in this class of securities; SECOND, because the interest rate or money value established by most life insurance companies is placed at five per cent., this being the rate of interest generally charged for money loaned.

19. Policy to Be Selected By Insured.

To be able to select the form of policy which will best serve his needs, it is only necessary to ascertain the fair cost of insurance for his age. If the insured

only needs temporary protection he should select a renewable term policy written to cover the number of years this protection is needed. The renewable term policy should ALWAYS be selected when a term policy is desired for the reason that should the insured's health be impaired in the meantime this form of policy can be renewed or exchanged to any other form desired, without medical re-examination, by paying the premium rates charged on the new policy for his attained age. Should permanent insurance be desired the whole life continuous premium policy should be selected as this affords protection, the only advantage to be derived from an insurance policy, at the smallest cost to the insured.

20. Best Investment.

The best "investment" to be secured under any form of a life insurance policy is afforded where the insurance is purchased at the smallest net cost to the insured. A full explanation of these principles will be found in the chapters where these respective forms of policies are explained in detail in the following pages. The mortality and net cost tables to be found in Articles 328 and 329 will greatly assist the reader in determining the cost of his insurance.

CHAPTER II

SCIENTIFIC PRINCIPLES OF LIFE INSURANCE

21. Death Rate.

While accident or acute disease may carry off any person in a moment, in the twinkling of an eye, it is a fact, now clearly established, that the death rate in a body of persons is subject to a well defined law. The rate may vary according to the circumstances of the people, according to occupation and according to country, but persons living in modern conditions and healthy surroundings experience a rate of mortality which is marvelously regular from year to year, and still more regular when viewed over a lengthened period such as a generation. The fluctuation as between one year and the year immediately succeeding may sometimes be considerable, although even that is less than one would expect when consideration is given to the variations in temperature and moisture as between one year and the next. Sometimes the effect of an unusual season is different from what one might suppose; it has been shown that a wet season is in many instances more healthy than a dry one, the reason being apparently that the dust particles in the air are more dangerous than the moisture.

22. How Mortality Tables Are Established.

As a result of careful observations over a period now extending to more than 100 years, very accurate knowledge has been obtained as to the rates of mortality in temporate zones. For general purposes the investigation is made of communities from the vital statis-

tics derived from census returns and the deaths which take place between two census dates. Such tables were also used for life insurance purposes in the early years of the science, but it was soon demonstrated that insured lives were subject to a different rate of mortality from the general population, especially in the first few years after their policies were taken. The reason for this is simple: Life insurance companies, to protect their own interests, will only accept healthy persons who can undergo medical examination to their satisfaction. At the present time, therefore, statistics derived from insured lives are used almost exclusively by life insurance companies, and the variation from the standard mortality table is seldom great after the first two or three years have elapsed from the dates when the policies are taken. The calculations involving mortality statistics can now be accurately made, and the principles on which life insurance transactions are based are spoken of as Actuarial Science. Mathematically this term might be defined as the combination of monetary indemnity with the doctrine of chances.

23. Premiums Based on Principal Plus Interest Worth.

As life insurance contracts involve monetary obligations extending over a period of time, the interest on money is a very important factor in dealing with Actuarial Science. The premiums, or at least a certain portion of the total premiums, have to be accumulated at interest so as to provide the sum insured at the proper time. The interest question, therefore, as affecting life insurance, relates not only to the rates which may be obtained for high-class investments now, but must take into consideration the interest to be earned in future; that is, between the time when policies are effected and the time when the sums insured become payable. This future rate is necessarily of the nature of an estimate, and any such estimate

must be on a conservative basis, such a rate being used in the calculations as can surely be earned.

24. Investment of Life Insurance Funds.

For the investment of its fund a Life Insurance Company can select from a wide range of securities, including Government, State, and Municipal securities, mortgage loans, real estate, stocks, bonds, etc. With this variety of choice, the result has been that Insurance Companies have earned a very satisfactory interest rate, and despite the recent tendency towards reduction, the average even yet exceeds four per cent. A maximum rate for valuation purposes has been prescribed by the statutes of most of the States. This maximum rate is as high as four and one-half per cent. in one or two Western States, but in the East it is generally three and one-half per cent. A good many companies, as a further precautionary measure, have adopted three per cent. voluntarily in order to avoid any possibility of loss in future if the interest on money should seriously diminish.

25. Two Important Factors in Calculating Life Insurance.

The calculations required in life insurance, therefore, involve two important factors, (1) compound interest, and (2) rates or Mortality. The principles of compound interest form part of the mathematics now always included in a good general education, but as some symbols are used in a particular sense in Actuarial Science, it will be well to recapitulate briefly some of the general outlines.

26. Compound Interest.

AMOUNT. If \$100 be invested at five per cent. per annum, the lender will at the end of one year possess \$105, this being his original capital with the addition of \$5 of interest. If he again invest this larger sum

at the same rate, the interest he would earn in the second year would be five per cent. on $105; that is, $5.25, so that at the end of the second year he would possess $110.25. If this again were invested for a third year, the interest would be $5.51 and the total sum in hand, or the "amount" after three years would be $115.76; during the fourth year the interest would be $5.78 and the "amount" at the end of the fourth year, $121.54, and so forth.

It is unnecessary to carry the above illustration further. These values, and those in continuation, are shown more accurately in Article 326. The above figures show the difference between simple and compound interest. At simple interest the amount in hand at the end of the fourth year would be $120 only, consisting of the $100 originally lent, and interest for four years at $5 each year. The figures show further that the difference between the simple and the compound interest is an increasing quantity, beginning with 25 cents at the end of the second year, increasing to 76 cents in the third year, and to $1.54 in the fourth year. If the illustration were carried further, the difference between simple and compound interest would be more apparent; in the twentieth year, the amount at compound interest would be $265.33, while at simple interest it would only be $200.

The use of simple interest is entirely illogical over an extended time if there is any means of enforcing payment of the interest when due, because when the interest is obtained it can always be re-invested so as to earn more interest, and this is particularly the case when an Insurance Company or Corporation collects large sums of interest which can be re-invested at once on favorable terms.

27. One ($1) Dollar Invested Per Annum in Advance.

In order to determine the amount to be derived at the end of a specific number of years where an equal amount is to be invested each year at a given rate of

interest for the table giving the amount of one ($1) dollar per annum in advance at the rate of interest and the number of years specified, see Article 327. For example, should fifty ($50) dollars be invested yearly at five per cent. for fifteen years, at the end of fifteen years the investor would have $1,133. One ($1) dollar invested yearly in advance at five per cent. would amount to $22.66. Thus $22.66×$50=$1,133.

CHAPTER III

GENERAL INFORMATION

28. The Two Principles of Life Insurance.

Life insurance is now being written on two separate and distinct fundamental principles or plans, one being designated as "assessment plan" and the other as "legal reserve plan." Assessment insurance, literally speaking, is divided into two classes called fraternal or lodge benefits and companies operating on the assessment plan, but all designated as assessment insurance. The legal reserve companies are also divided into two distinctive classes called "participating companies" and "non-participating companies," but all designated as legal reserve or old line life insurance.

29. Assessment or Fraternal Insurance.

Fraternal insurance is conducted by an association, which is organized without capital stock, having a representative form of government carried on for the mutual benefit or protection of its members and having a lodge system. The companies operating on the assessment basis are organized upon the mutual plan. One principal advantage of the fraternal organizations over the companies operating on the assessment plan and the legal reserve companies, is in the much lower ratio of expenses of management, office and agency expenses, the agency work generally being performed without charge. Many of the organizations under this class have sick and health benefits in addition to the death benefits. The death certificates issued by these organizations generally range from $1,000 to $4,000.

Owing to the fact that the members or certificate-holders do not pay any premium in excess of the actual

cost of a death claim to produce cash surrender or loan values and "dividends or investments," it is only necessary to issue the one form of certificate for the different ages. It is on account of the extra premiums required to purchase the cash value or self-insurance fund, "dividends" or "investment" items, which requires the issuance of so many different forms of policies by the legal reserve companies.

30. Premiums Paid to Fraternal Organizations.

The rates of assessments charged the members of some of the fraternal organizations are only sufficient to pay the assumed yearly mortality expense, while others charge a small amount in excess of this assumed mortality expense to create a surplus fund with which to pay any excess mortality expense, as may be experienced by the organization, thereby avoiding having to make an extra assessment for many years to meet the ever increasing mortality expense among its members.

31. Fraternal Insurance Discredited.

Owing to the strenuous competition which exists between the life insurance companies of all kinds, the fraternal or assessment plan of life insurance is generally discredited, the public being educated to believe that life insurance policies should have cash surrender values, also on account of the possible increase of premium rates, which are BOUND to occur where the certificate-holders stay with the organizations for many years or until death.

The agents of the legal reserve companies, either from lack of knowledge of the principles of life insurance, or from wanton disregard of the truth, are continually discouraging the assessment form of insurance. Of course they are not wholly to blame for this lack of knowledge, because about the only information they are able to secure regarding the principles of life in-

surance is that which is furnished them by their superior officers, and if the officers of these companies, who are in charge of the agency departments are conversant with these principles they are very careful to conceal from their agents any information on this point.

A great many more persons would be carrying protection for their loved ones dependent upon them in the assessment organizations who are financially unable to pay the high premiums charged by the legal reserve companies if they were not discouraged from doing so by the representatives of the legal reserve companies.

The public is educated to believe that the assessment companies are insecure; that the premium rates charged will soon become prohibitive; that on the account of the assessment policies having no cash surrender values the companies are not organized on a sound financial basis; that they will receive protection for a few years and then their organization will fail and the protection so much needed will not be afforded them; that on account of their policies not having a cash surrender value the insured must die to receive any benefits under his policy and should he lapse or discontinue his policy in after years all of the premiums paid will be lost to the insured.

32. More Fraternal Insurance Would Be Carried.

The assessment plan of life insurance would be a great deal more popular if the officers in charge of these organizations would explain to the members or certificate-holders the fundamental principles involved in establishing premium rates for the assessment plan of insurance. The fact that this is NOT done is due to a lack of knowledge of these principles on the part of the officers. The certificate-holders should be made to understand that they CANNOT secure something for NOTHING; that the benefits to be derived from the premium paid on an assessment policy are just as

much, in proportion to the money paid, as under a legal reserve form of policy. If the insured MUST have paid-up or cash surrender values he must pay for them. If he is to have "dividends" he must pay for them. If he desires to cease paying premiums after twenty years he must pay enough money, with its interest worth, in excess of the actual cost of the death claim during the first twenty years, to pay for the years he may live after that time.

33. Any Benefits to Be Received Under a Life Insurance Policy.

Any benefits to be derived under any form of a life insurance policy, whether it be issued on the assessment or the legal reserve plan, MUST be paid for by the policy-holder. If the certificate-holder is only required to pay premiums to the organization sufficient to meet the mortality expense and the expense of management yearly, he must not lose sight of the fact that he is allowed to keep in his possession the excess money, which he would be required to pay to the legal reserve company to buy cash surrender values and "dividends," and if he will keep this money, left in his possession, together with its interest worth, the results in future years will not only be the same, but he will not be subjecting the excess money paid to the company to loss by death in the meantime.

34. Illustration.

The following table should fully illustrate this point. The average assessment rate and the average legal reserve non-participating rates, three and one-half per cent. basis, are used for illustration.

35. Table A. Assessment vs. Legal Reserve Ordinary Life.

TABLE A. ASSESSMENT VS. LEGAL RESERVE ORDINARY LIFE.

Age	Assessment Premium	Legal Reserve Premium	Difference in Premiums	Amount of Savings, 20th Yr. At 5%	Assessment Cost	Legal Res. Cost 20th Yr. Including Reserve	Loan Value Legal Reserve 20th Yr.	Actual Ins. Assessment Policy	Actual Ins. Legal Reserve Policy
25	$10.30	$16.87	$ 6.57	$228.11	$357.61	$585.72	$213	$1000	$787
30	12.60	19.18	6.58	228.45	457.47	685.92	259	1000	741
35	14.40	22.20	7.80	270.81	499.96	770.78	310	1000	690
40	17.15	26.19	9.04	313.86	595.44	909.11	368	1000	632
45	20.70	31.57	10.87	377.40	718.70	1096.11	427	1000	573

TABLE B. ASSESSMENT VS. LEGAL RESERVE 20 PAYMENT LIFE.

25	$10.30	$24.69	$14.39	$499.62	$357.61	$857.23	$456	$1000	$544
30	12.60	27.12	14.52	504.13	457.47	942.30	508	1000	496
35	14.40	30.10	15.70	545.10	499.96	1045.07	566	1000	434
40	17.15	33.83	16.68	579.12	595.44	1174.57	627	1000	373
45	20.70	38.65	17.95	623.22	718.70	1341.92	688	1000	312

The actual insurance, which represents the company's liability or the amount to be paid by the surviving policy-holders in a $1,000 assessment policy always remains practically $1,000, therefore where the actual insurance remains the same year after year the cost will gradually increase on account of the steadily increase in mortality. See mortality table, Article 328. The actual insurance contained in a legal reserve policy of $1,000 is being reduced each year, beginning with the first, by the payment of the premiums in excess of the actual cost, to create the reserve fund, the reduction in actual insurance being sufficient to offset the increase in mortality expense, i. e., the insured pays a part of his own death claim.

The cash surrender or loan value of a legal reserve policy represents the accumulation of this excess money, so paid from year to year, which is called self-insurance fund. By referring to column "7" in Table A, it will be found that the amount of the self-insurance fund or the amount the company will loan, or the cash the company will return for surrender of the policy issued at age 25, on the whole life continuous premium plan the twentieth year to be $213. The assessment policy has no loan value, but if the insured will keep the difference in premiums or savings each year, the amount of these savings, together with their interest worth, will almost equal, if not exceed, the amount of the loan or cash value of the legal reserve policy. See columns "4" and "7," Table A.

The holder of the legal reserve policy will be able to secure from the company, as a loan or cash for surrender of the policy, the amount set forth in column "7" in Tables A and B. If the holder of the assessment policy will keep the difference in the premiums and their interest worth yearly, he will have about the same amount of cash the holder of the legal reserve policy could borrow or secure for its surrender and should the holder of the legal reserve policy secure a

loan thereon, the amount borrowed would be deducted from the face amount of the death claim, in case of death, while under the assessment policy the beneficiary would receive the full $1,000. The insured has reduced the actual insurance contained in the legal reserve death claim at the end of the twentieth year to $787 by the payment of the excess premium paid to create the self-insurance fund.

The full net premium required by the legal reserve companies at any age improved at the rate of interest adopted by the company will a little more than equal the death claim if the insured lives to his full expectancy. The expectance at age 25 is 38 years. The difference or saving in the average premiums at age 25 found in column "3," Table A, is $6.57. This amount yearly improved at five per cent. interest will amount to $743.03 in 38 years. Therefore if the insured has kept this money as it would have been kept had he paid it to the insurance company, in order to leave an estate equal to a $1,000 death claim he will only be required to carry $256.97 of insurance. The insured should certainly be willing to pay for any insurance needed in excess of the savings and their interest worth. As the actual insurance contained in his certificate is practically $1,000, a fair and equitable premium to be paid for a $1,000 death claim at age 63 would be about $50. The interest worth of the accumulated savings of $743.03 at five per cent. will amount to $37.15, which will reduce the premium to almost its original amount. Had he taken a legal reserve policy instead of the assessment he would have been required to pay for the actual insurance contained in the policy at age 63. The actual insurance contained in a $1,000 death claim issued at age 25 in a legal reserve policy at age 63 on the whole life continuous premium plan is only $486.31. The actual insurance contained in an assessment policy at age 63, issued at the same age 25, is practically $1,000. Should

death occur at age 63 the legal reserve company will keep the accumulated reserve or self-insurance fund of $513.69 (the insured's own cash), and put $486.31 with it and pay the death claim of $1,000, while under the assessment policy the beneficiary would receive the death claim of $1,000 and in addition thereto would have a CASH estate of $743.03 (savings and their interest worth), or a total estate of $1,743.03. Had the reader purchased the two policies at age 25, which would he consider to be the best investment?

37. Fraternal Organizations Can Be Made Secure.

If the policy-holders will pay the same amount for any benefits to be derived under an assessment policy, the same as he would under the legal reserve policy, the assessment plan of life insurance would be just as secure as the legal reserve plan. Life insurance was primarily designed to enable the insured to protect his productive worth against loss by death. The average man who has attained the age of 25 has an even chance to live 38 years or to age 63. The average man generally has little productive worth after he has lived the full expectation of life, therefore he has no productive worth to insure after that time.

If the person who protects this productive worth by a life insurance policy written upon the assessment plan would be willing to surrender this protection after he has lived his expectation of life and feel that he had value received, and not expect the company to return any of the premiums paid any more than he would expect the fire insurance company to return a part of the premiums paid had he carried a fire insurance policy for that number of years, and the assessment company base its rates on the term insurance basis written to cover the term of years represented by the expectancy of life, which would be practically the premium rates they are now charging, the assessment company would be just as secure as the legal

reserve company. Just as long as the policy-holders of the assessment organizations expect to carry a $1,000 death claim, issued at any age, for the premium rates now being charged until death, just so long will their organizations be insecure.

38. Legal Reserve or Old Line Life Insurance.

Life insurance companies operating on the legal reserve plan are writing their insurance on a mathematical basis, which has proved to be absolutely safe, i. e., any policy-holder who pays the premiums calculated upon the American Experience Table of Mortality as adopted by the legal reserve companies need have no fear that the company will have plenty of money with which to pay all the liabilities under its policy contracts. It is on account of this proven stability that the life insurance business has grown to wondrous proportions in the last few years.

39. Young Legal Reserve Companies Are Safe.

There has been a great number of new companies organized all over the United States since the beginning of the twentieth century and the companies organized on the legal reserve basis may be considered absolutely safe as far as the policy-holders are concerned. The larger companies, which have a great many millions of insurance on their books, are reducing their premium rates to such an extent that it is very hard for the young company to compete successfully in the great rush for business, yet should they keep their office expenses reduced to a minimum, at all times, they will eventually become well established. Where a life insurance company organized on the legal reserve plan consolidates with some other company, it is very seldom that losses occur to the policy-holders. Under the legal reserve deposit law the full legal reserve is always maintained, as this requirement is always very closely watched by the insurance

department, and a severe penalty is imposed where the officers of any company fail to comply with this requirement. Should the company be organized on the participating basis the policy-holder only loses part or all of the "dividends" upon his policy where the company ceases business and consolidates with some other company.

40. New Policy Forms.

There are a great many policies being devised each year by the different life insurance companies. Some of these policies are practically the old forms in principle, but sold under some new name. There is absolutely no advantage to be gained by purchasing these new forms of policies.

41. The Coupon Policy.

The coupon policy now seems to be "all the rage," more especially among the younger companies, and the purchaser of life insurance will do well not to purchase any forms of the coupon policies. There are so many of these new forms of policies offered for sale, that it is very hard for the public to secure information which will enable the purchaser to select the form of policy which will best meet his needs.

Some of the conditions, privileges and restrictions in the several forms of policies now being issued by the different companies are so technically worded that it is hard even for an expert to properly interpret them. The most important privileges, conditions and restrictions will be here given and explained (see Chapter 14), thereby enabling the insured or the prospective purchaser of insurance to thoroughly understand the same and to know how to secure a square deal under a new policy, or one that has been in force for many years.

42. Future Results.

Some of the illustrations and comparisons used are not figured to the cent, but are sufficiently accurate to give the policy-holder or the prospective purchaser a good understanding of the future results to be obtained from his life insurance policy.

43. Few Policy-Holders Know When They Are Securing Fair and Equitable Deal.

Few policy-holders in general in their dealings with the life insurance companies know whether they are receiving justice at the hands of the company or not, and there are a very few who do not at some time or another wonder if they are receiving a just and equitable deal and whether their beneficiaries will receive justice at the hands of the company. They may be receiving justice from the company, but on account of their not understanding even the first principles of life insurance, or the fact that they are unable to place the proper interpretation upon the conditions contained in the policy, prevents their recognition of a fair and equitable deal and by some fancied wrong they may heap unjust condemnation upon the hand which eventually will render the greatest assistance.

44. Owing to Strong Competition Many Objectionable Policies Are Issued.

Owing to the strong competition which exists between the life insurance companies, the experts managing the different companies are constantly devising new forms of policies to be issued on some plan that may appeal to the public. These forms are usually objectionable from the insured's standpoint and the insured purchases the same, where if he understood the true conditions contained in the policies he would not purchase them. The most effectual way to stop these injustices is for the policy-holder or the prospective purchaser to adopt the plan the successful business

man uses in conducting his business, namely, to thoroughly know what he is buying before he buys it and not depend upon state legislation to protect him.

45. Opinion of Judge McCormick.

In order to illustrate the general condition that now exists between the insurance company and its policy-holders and to firmly impress upon the policy-holder's mind, the necessity of a thorough understanding of the policy to be purchased, the author will quote an extract from the opinion of Judge McCormick in the case of Merchants' Life Association vs. Yoakum, 98 Fed. Rep., pages 269-270 (see Article 320), which was an action on a life insurance policy, and will illustrate this noted jurist's opinion regarding this condition.

46. Do Companies Take Advantage of the Beneficiary?

The life insurance companies lay great stress on the claim, and have for many years, that they do not take advantage of their policy-holders in any way. It would seem that Judge McCormick's opinion does not verify this statement. Unless the policy-holder is in a position to protect himself against these abuses, how can he expect anyone else to do it for him?

47. The Stronger vs. the Weaker.

The first party—the company—the originator of the too often complicated contract and thoroughly understanding all of the terms contained therein (and every word in the policy has a bearing on the contract), the second party—the insured—who does not understand the first principles of life insurance contained in the contract, is it possible to calculate the outcome of such a condition?

48. Why Should the Insured Not Understand His Policy?

Is it possible for the insured to believe that he is getting a fair and equitable deal under a contract

which through the neglect on his part has failed to acquaint himself with any of the conditions contained in such an agreement? What excuse has the insured to offer for not understanding his life insurance policy as thoroughly as the company, and if he does not understand it why does he purchase it?

49. Misleading Impressions.

The insured is too often led to believe by the insurance companies and their agents, that his policy written to cover a certain number of years, is a contract entered into under the terms of which he must continue at least until the termination of the premium paying period to receive the full benefits thereunder. This is only true where a policy is issued on the deferred dividend plan, the issuance of which is now prohibited by the laws of some states, on account of the heavy losses sustained by policy-holders. The insured is also led to believe that he has a moral obligation to fulfill and that should he terminate his policy he would not be keeping his word with the company; he is also led to believe that the longer he carries his policy the greater will be his loss upon its surrender. These points will be fully explained in the following chapters, the insured may then decide for himself whether they are true or not.

50. Where Losses to Policy-Holders Occur.

The losses made by policy-holders on their life insurance policies are largely due to their not knowing how to stop such losses, even when possible, according to the conditions contained in the policies. By carefully following the instructions and information given herein, regarding the different forms of adverse policies which have been issued heretofore, the insured may protect himself against such losses regardless of the present age of the insured or the number of years

the policy has been in force, as well as to explain the proper policies to be purchased.

51. Lapsed Premiums Are Losses to the Policy-Holders and Profits to the Insurance Companies.

One of the great losses to policy-holders is caused by the lapsing of policies. This is also a source of great profit to the life insurance companies. If the insurance was purchased on the lower priced forms of policies vast sums of money would be saved to the policy-holders yearly and the loss from this item would be reduced to a minimum.

52. Illustration.

For example, let us take a $1,000 death claim at age 35 issued on the whole life twenty payment plan at the average participating rate of $37.02 on the three per cent. basis, and a $1,000 death claim which can be purchased by the insured at age 35 on the whole life continuous premium plan at the average non-participating rate of $22.20, supposing that the policies were surrendered for cash the fifth year; $37.02 yearly in advance improved at five per cent. interest equals $214.71. Subtracting from this amount three "dividends" of possibly $3.50 each, amounting to $10.50, together with the cash surrender value of $107 (after deducting the fee charged for surrender of $10.52), leaving a balance of $97.21 which represents the net cost to the insured of a $1,000 death claim for five years under this plan; $22.20 yearly in advance improved at five per cent. equals $128.76, less cash surrender value of $56 (after deducting the surrender fee of $6.73), leaving a balance of only $72.76, which is the net cost of a $1,000 death claim under this plan. The fee charged for surrendering the higher priced participating policy is $10.52, the fee charged for surrendering the lower priced non-participating policy is only $6.73. The difference in the net cost of the two

policies of $24.45 represents the unnecessary loss to the insured. This point will be more fully illustrated under the analysis of these respective policies in the following pages.

When we take into consideration the fact that a large percentage of the insurance is written on the whole life limited premium plan and that the average length of time the insurance remains on the books of the company is less than twelve years, some companies as low as eight, and that over sixty per cent. of the lapses occur in the first five years, a faint idea may be had of the vast amount of money lost by policy-holders yearly, and also the large sums of money the insurance companies derive from this item with which to pay managing expenses.

53. Insured Should Know Beneficiary Will Be Protected.

If the insured thinks enough of the beneficiary to furnish the much needed protection afforded by life insurance, he should thoroughly understand the policy to know that the beneficiary is going to receive this protection after his demise.

54. State Laws Cannot Always Protect the Policy-Holder.

Many policy-holders are liable to depend too largely on verbal or written statements made by the agent at the time the policy is purchased, or depend upon the advice of some other purchaser, whose knowledge of the principles of life insurance are as equally deficient. The policy-holders in general also depend too largely upon state legislation to protect them against any unjust treatment at the hands of the company, when in fact it would be impossible for the legislators to enact laws which would protect the policy-holder in all cases, even if the legislators were thoroughly conversant with the principles of life insurance or with the injustices

practiced by the different companies. Let us take for example the "predated policies" that were issued by the legal reserve companies for many years, the issuance of which is now prohibited by law, but not until many thousands of policies had been sold to the unsuspecting public, causing not only the loss of hundreds of thousands of dollars to the policy-holders, but creating a distrust in the minds of the policy-holders in general, and the fact that these laws are not retroactive, the losses sustained under this form will continue as long as they are kept in force by the policy-holders.

55. Policy-Holders Must Protect Themselves.

Generally a business man will not enter into a deal which requires the expenditure of even a SMALL amount of money without a thorough investigation of the same, and yet he will purchase a life insurance policy, which requires the payment of a LARGE yearly premium extending over a large number of years upon the representation of the agent, whose only interest in many cases is the commission he receives for selling the same, and this will be done without a comprehensive knowledge of the most vital conditions contained in the policy, or without any investigation whatever.

If some policy-holders will apply the same tactics in conducting their business that they do in the purchase of their life insurance, the sheriff or his deputies will be required to take charge of their business in a very short time. If the policy-holders will persistently continue to pay excessive premiums on their life insurance policies without understanding their conditions or future results, after having had an opportunity of securing knowledge which would enable them to protect their interests, they should not condemn the company.

56. Company Not Always to Blame.

As different conditions exist among policy-holders it is necessary for the companies to write several different forms of policies to meet the demands of the

public. Where the policy-holder, through lack of knowledge, is unable to select the form of policy which will best serve his present or future needs, he may be receiving injustice at the hands of the company, without any wilful intent on the part of the company.

57. Unforeseen Contingencies May Arise.

The life insurance policy should be so written that it will meet the present needs of the insured and permit of any modification or changes in the future, without loss to the insured, as will be necessary to comply with future contingencies that may arise, which cannot be foreseen at the time the policy is purchased. When in after years some adverse condition in the policy develops, the company receives all the censure, for which the policy-holder in most cases is to blame, through the lack of a proper understanding of the policy conditions at the time it was purchased.

58. Legal Reserve Protected by Law.

We now have laws in all states that protects the money held in trust by the companies to meet the future obligations contained in the policy and many states have laws that protect the policy-holder against some abuses practiced by life insurance companies, but it will be practically impossible to pass laws which will, at all times and in all ways, protect the policy-holders against the injustices practiced by life insurance companies.

59. Anti-Discrimination Laws Do Not Protect Insured.

There are now anti-discrimination laws, i. e., laws that are intended to prevent the companies from practicing discrimination against the policy-holders (see Article 324, Section 1), yet there are greater discriminations existing under the present laws than those which are legislated against, and it will be many years,

if ever, before we will have laws which will prevent discrimination in all cases.

60. Illustration.

For illustration, let us suppose that A, B, C and D are each aged 35. They each purchase a $1,000 death claim in the same company. In order to simplify this illustration the non-participating rate is used to avoid having to explain the "dividend" element of the premium.

"A" pays $44.50 on the temporary twenty year endowment plan; "B" pays $30.10 on the permanent whole life twenty payment plan; "C" pays $22.20 on the whole life continuous premium plan; and "D" pays $14.25 on the temporary twenty year term plan. The policies each provide for the payment of $1,000 should the death of the insured occur within twenty years from the issue date. They all die the fifteenth year of the policies.

Table showing results where the policies become a claim by death the fifteenth year:

	Premium	Cash Value	Actual Insurance	Total Cost
A	$44.50	$674.00	$326.00	$1008.37
B	30.10	418.33	581.67	682.06
C	22.20	233.28	766.72	503.05
D	14.25	18.59	981.41	322.90

"A" and "D's" policies would both terminate the twentieth year, having been written on the temporary plan.

The average necessary rate at a fixed yearly premium at age 35 for $1,000 Temporary Standard Death Claim is $14.25, therefore $30.25 of "A's" premium was an overcharge made to create the endowment fund, and all the payments made to date of demise were

lost to his estate. Had "A" purchased the same kind of policy as did "D" and invested the $30.25 yearly at five per cent., he would have left an insurance estate of $1,000 plus the savings and their interest worth of $685.46, or a total of $1,685.46 instead of $1,000 under the endowment policy. "A's" $1,000 death claim had cost him in the fifteen years $1,008.37 by the payment of his excessive premium plus its interest worth (see Article 98), therefore his beneficiary received $8.37 less than it had cost him, while "D's" $1,000 death claim had only cost him $322.90, therefore his beneficiary received $677.10 more than it had cost him. By the payment of the overcharge contained in the premium, "A" had reduced the actual insurance contained in the policy to $326 the fifteenth year, while "D" had practically a $1,000 death claim.

"B" and "C's" policies were both written on the permanent insurance plan. The average necessary rate at a fixed yearly premium at age 35 for $1,000 Permanent Standard Death Claim is $22.20, therefore $7.90 of "B's" yearly premium was an overcharge, and all payments made to date of demise were lost to his estate. This overcharge in premium was made to create the excess reserve required on a whole life twenty payment policy over that required for the whole life continuous premium policy to enable "B" to cease paying premiums after the twentieth year, for which "B" would receive absolutely no benefit until he had lived twenty years. "B's" $1,000 death claim cost him in the fifteen years $682.06 and "C's" $1,000 death claim only cost him $503.05, therefore "B" paid $179.01 more than "C."

If the reader was in "A" or "B's" position would you feel that you were being discriminated against? A full explanation of the results as shown above will be given in the following pages under the different forms of policies when they are taken up in detail.

61. Adverse Laws Are Detrimental to the Company.

It is all right to enact laws governing the investment of the funds held in trust by the life insurance companies for their policy-holders to protect the same, but laws enacted to regulate other conditions must be in harmony with the natural laws that regulate the business of life insurance. No company can exist under laws enacted which are adverse to the natural laws or methods peculiar to the business. On account of the general lack of knowledge required for the successful management of life insurance companies on the part of most legislators, it is very easy to enact laws detrimental to the success of the companies in their mad desire to eliminate the evils practiced by the companies for many years—and these are largely due to the lack of knowledge on the part of the policy-holders.

62. It Will Be Possible to Eliminate Evils.

It is possible to eliminate these evils a great deal sooner and more effectual by gaining a thorough knowledge of the principles of life insurance from the buying end of the deal, which will enable the prospective purchaser of life insurance to purchase his insurance right, than to try to eradicate them by legislation. If the policy-holders would not purchase these objectionable forms of policies, the companies would not offer them for sale. The officers of the companies sell them because the public wants them. Adverse legislation has occurred and will continue to occur as long as unscrupulous politicians, who haven't the slightest conception of the fundamental principles of life insurance, take advantage of aggravated conditions to further their political interests.

63. Life Insurance Very Little Understood.

There is no business in the world with equal magnitude of the life insurance business where the people

who buy it understand as little about what they are buying. This is not unusual when we taken into consideration the fact that about the only information the insured is able to secure regarding his life insurance policies is that which is furnished by the company and the agent who sells it, and as their interests are identical and based on the selling end of the deal, it is only fair to presume that they will not give out any information detrimental to their financial interests.

The policy-holder should understand life insurance from the buying end of the deal, not only to enable him to purchase the form of policy which will best meet his needs, but to give him the satisfaction of knowing that he has the best he can get for his money, providing he has not made a mistake in the purchase of his life insurance policy.

64. Company Will Generally Issue Policy as Applied For.

The companies will generally issue the policies upon the plan selected by the purchaser as set forth in the application. The supposition on the part of the company at the time the application is received is, that the applicant has selected the form of policy which will best meet his needs, and the applicant should not have to depend upon the advice of the company's agent in the selection of his form of policy, as the agent's interests usually cease after the first premium is paid, except as the general results may affect the future business.

Under the present commercial and financial conditions now existing there is nothing to take the place of life insurance for those who are otherwise unable to protect those dependent upon them against future want. Owing to the great demand for life insurance protection and the unlimited benefits which are possible to be derived from the same make it all the more imperative that the insured should ABSOLUTELY KNOW that the policy will provide the desired results.

65. Insured Not Always Protected by Reserve Deposit Law.

It is very seldom that a legal reserve life insurance company does not fully preserve the money held in trust for the protection of its policies in the future, as they invariably comply with the state laws governing the same. The rigid laws of the states protect the legal reserve companies against insolvency, but to protect the companies against insolvency, does not guarantee the policy-holder against loss in all cases. The insured is too often led to believe by the companies that the legal reserve deposit laws of the several states affords absolute protection against loss to the policy-holder and is very often used as a blind to cover up adverse conditions contained in certain forms of policies.

66. Where Greatest Losses Occur to the Insured.

A very small per cent. of the losses sustained by policy-holders is due to the insolvency of legal reserve life insurance companies. The greatest losses are sustained where the policy-holder pays the company more money yearly than is necessary for as many years as insurance is needed. For illustration, where a policy-holder at age 35 purchases a life insurance policy on the whole life twenty payment plan, he agrees to pay the company in twenty equal annual installments all of the money he is required to pay, to cover 61 years of insurance, which is the insurance years from ages 35 to 96. Should the insured die at age 65 he has paid for 31 years of insurance (the insurance years from ages 65 to 96) that he does not need. Should he die at age 80 he has paid for 16 years he does not need, etc.

67. Read Your Policy and See if You Understand It.

If the reader is carrying a life insurance policy of any kind, carefully read the same to see if a clear and

accurate understanding is obtained of all the conditions, privileges and restrictions contained therein. Upon examination if you find that you do not understand them, how would you be able to determine whether or not you were paying more for your insurance than it is worth to you at the present time, or more than it should cost you for any benefits to be derived from the same in the future? It very often occurs that when a policy-holder understands one or two of the conditions in the policy, he thinks he understands all of them, and where this condition exists losses are most likely to occur. Life insurance policies are generally so technically written that about all the information the novice is able to gain regarding the policy is the amount of premium he is required to pay each year. It is not uncommon to find policy-holders carrying policies, who do not know whether the policy is written on the whole life or endowment form or whether the premiums are payable for a limited number of years or for the whole of life.

68. Great Proven Worth Should Not Be Used as a Cloak.

Most all of our eminent men prominent as scientists, statesmen and in the clergy are ever proclaiming the great worth of life insurance, yet this proven worth should not be used as a cloak by officials of life insurance companies to cover unfair dealing or fraudulent business methods, which work a hardship upon the policy-holders.

69. Discriminating Policies Should Never Be Purchased.

Any form of policy which purports to pay more money to one policy-holder than to others of the same class should never be purchased. A policy-holder who purchases any form of policy purporting to give more for the premiums paid than others in the same class

are to receive, on account of their prior death or financial inability to maintain the policy, should never complain if the future results fail to equal those promised.

70. A Life-Time Study Not Necessary.

It is not necessary for a person to make a life-time study of the life insurance business in order to be able to select a form of policy that will give him a fair and equitable deal with the company. It is only necessary for the person to know the fair and equitable cost of life insurance for his age.

71. No Investment in Life Insurance for the Insured.

The element of investment and savings should be eliminated from every form of policy. There is absolutely no investment benefit to be derived from any form of life insurance policy by the insured if he lives.

72. Life Insurance Company Not a Savings Bank.

The life insurance company affords a very poor system for the care or protection of the policy-holder's savings. Would the reader consider it a prudent transaction to deposit with a savings bank a certain sum of money yearly, for a specified number of years, with the understanding that should he died before the termination of the time specified, the bank would keep the savings and their interest worth, but if he should live to the end of the period he would then be able to secure the savings? I dare say you would not, yet this is exactly what you are doing with the life insurance company when you purchase an investment or savings policy.

73. Proper Education Will Prevent Evils.

It may never be possible to eliminate the several evils now practiced by life insurance companies, but educate the public to know how to select the proper form of policy, and these evils will be reduced to the minimum. When the public knows that they can get

an equitable deal with the life insurance companies, there will be a great deal more insurance carried. This is only reasonable to suppose when we take into consideration the fact that the great amount of life insurance is now carried while so much agitation and distrust is existing in the minds of the public.

74. Officers and Agents Are to Blame.

A great majority of the officers of the life insurance companies, who compile the advertising literature, and their agents, are wholly to blame for the distrust now existing among the policy-holders and the insuring public in general. After having read the literature put out by the different companies, is it any wonder that the prospective purchaser should be skeptical?

It is not uncommon to find printed lists containing the names of from ten to fifty life insurance companies arranged in the order best calculated to display the superiority of the company issuing such statement and with the name of the company displayed in large boldface type leading the list, and with these documents the agent at once attempts to convince the purchaser that his company is greatly superior to all other life insurance companies. The competing agent at once produces his literature with the name of his company at the head of the list to prove its superiority over all others, and should the prospective purchaser be unfortunate enough to be solicited by several competing agents, the arguments put forth by these agents would thoroughly convince him that NONE of the companies were reliable.

If the agents representing the life insurance companies would adopt the motto, "All life insurance companies are good and now is the time to purchase the much needed protection," and eliminate the damaging arguments regarding their competitors, there would be a great deal more life insurance sold.

CONCISE INFORMATION.

75. Life Insurance.

Life insurance is a certain sum of money to be paid to the insured's beneficiary or estate upon the death of the insured, thereby enabling the insured to protect his productive worth against loss by death to anyone dependent upon him or to his estate.

76. Policy a Contract.

The contract that exists in evidence of the agreements between the company and the insured is called a life insurance policy, under the terms of which the company agrees to perform certain acts provided the insured performs certain other acts.

77. Death Claim.

The amount stipulated in the policy which the company agrees to pay upon the death of the insured is called the death claim, and is made up of two elements, namely, the actual insurance or that part of the death claim to be made up or paid by the company (which is the other policy-holders), and the amount of the accumulated reserve or self-insurance fund, which is paid by the insured to help the company pay the death claim, and the part assumed by the insured is an increasing amount in practically all forms of policies, and the part assumed by the company correspondingly decreases the amount of the reserve or self-insurance fund, eventually equaling the amount of the death claim.

78. The Insured's Own Cash Is Not Insurance.

The insured's own cash is not insurance. The following illustration should clearly show this point: Should the insured deposit $1,000 in any bank to be paid to his beneficiary or estate upon his death, it could not be called insurance, it is simply a death claim; and if the bank was paying three per cent. on its deposits and if the insured would withdraw the

$30 interest each year to date of demise, the death claim would remain the same. Should the insured deposit $1,000 with an insurance company in one payment, said $1,000 to be paid to the insured's beneficiary or estate upon his death, this $1,000 would not be insurance, it is simply a death claim; and if the company was operating on a three per cent. basis and the insured would withdraw the $30 interest or so-called "dividends" each year to date of demise, the death claim would remain the same. If the insured would pay $500 to a life insurance company in one payment, under a contract whereby the company agrees to pay $1,000 to the insured's beneficiary or estate upon his death, the insured would then have $500 of insurance, but the insured would be required under the contract to leave the $15 interest due thereon with the company, and the interest thereon compounding annually would eventually equal or wipe away the $500 the company (or the other policy-holders) would be required to pay under the contract. The cost to the insured for the $500 insurance for the first year would be $500. The cost to him thereafter would be the interest worth of the $500 paid by the insured and held by the company, which would amount to $25 per year to date of demise, as the insured would be able to receive at least five per cent. had he invested the $500 in first class securities.

79. Life Insurance Never Paid to the Insured.

Life insurance is never paid to the insured, it is paid only after the death of the insured, therefore it is impossible for the insured to ever receive any of the actual insurance proceeds of his own life insurance policies.

80. Any Cash Value Insured's Own Money.

Any sum of money to be paid to the insured under certain provisions contained in a life insurance policy is only money paid to the company by the insured in

excess of the cost or worth of the actual insurance contained in the policy, to provide for future contingencies as follows: FIRST, where a level stipulated premium is charged for a specified number of years or for the whole of life for permanent insurance, in order to offset the steadily increasing cost of a certain death claim as the insured grows older, he must pay to the company during the first years of the policy money in excess of the present cost or worth and his share of managing expenses. This money is held by the company to accumulate the legal reserve or self-insurance fund as prescribed by the law governing legal reserve companies; SECOND, where a certain amount of money is to be paid the insured under any form of an endowment policy, after a specified number of years, the insured must pay enough money in excess of the cost or worth of the actual insurance contained in the policy, together with its interest worth, to equal the amount of the endowment fund, in addition to the amount he is required to contribute to pay his share of managing expenses. The reserve (self-insurance fund) or the endowment fund is not insurance. This money can be withdrawn on any anniversary of the policy, generally after the third.

81. Insured May Lose Own Cash By Death.

Insured should never pay money to any insurance company to be returned or paid to him at some future time contingent upon his living; he may die and lose it.

82. Insurance Company Not a Producing Organization or a Bank.

A life insurance company is a distributing and not a producing organization. A life insurance company is NOT a savings bank.

CHAPTER IV

BASIS FOR DETERMINING PREMIUM RATES FOR THE COMPANY AND NET COST TO THE INSURED

83. Contract.

Each life insurance policy is the complete contract existing between the company and the insured, therefore it must contain the elements of date, consideration and time, the DATE being the time the policy goes into effect. The CONSIDERATION is the acts to be performed by the company and the insured. TIME is the number of years the policy is written to cover, which may be any number of years from one to eighty-five.

84. Time Important to Company and Insured.

Time is one of the most important factors to be taken into consideration in establishing premium rates for the company, and also important to the insured. The company must know the number of years within which it will be required to pay the death claim should the death of the insured occur; and the insured must pay to the company his share of the death claims that will have to be paid within the number of years the policy is written to cover, and also pay his proportion of the managing expenses. If the policy was only written to cover one year, the amount the insured would have to pay to cover current mortality and managing expenses would be very small. The greater number of years the policy is written to cover, thereby extending the company's liability, the greater will

have to be the amount contributed by the policy-holders.

85. Calculation of Premiums.

In order that the company may collect a proportionate amount from each policy-holder carrying an equal death claim, it is necessary to adopt some uniform basis or table of averages from which to calculate the amount to be collected, and as all policy-holders do not purchase their insurance at the same age, it becomes necessary for the company to calculate the average relative cost of the $1,000 worth of death claim liability in a manner to correspond with the age of the insured, knowing that the older the policy-holder or purchaser the greater will be the liability on the part of the company to pay out the $1,000 as a death claim. On account of the premiums being extended over a greater number of years, it requires the payment of a smaller premium for the younger ages and a large premium as the insured grows older, the risk or possibility of the death claim becoming greater with each year's increase in age after the age of ten.

86. Insured Must Pay the Increasing Cost.

Where a policy is purchased at a certain age the insured is required to pay the increasing cost for the actual insurance contained in the policy as he grows older. While the premium paid remains the same, the actual insurance contained in the policy is reduced each year sufficiently by the payment of the overcharge in each premium of the cost of the actual insurance in the earlier years of the policy to offset the yearly increase in cost as the insured grows older. When a policy is issued at any age on a level premium, the premiums paid provide for the natural increase in cost for each succeeding year's increase in age of the insured. A further explanation of this im-

portant point will be found in the explanation of the "One Year Term or Step-Rate Policy," Chapter V.

Unless all life insurance policies written to cover a number of years provide for the payment of the natural increasing cost as the insured grows older, the company is bound to fail sooner or later, and the stability of the company is one of the most important points to be taken into consideration at the time the policy is purchased.

87. Insured Is Generally Misinformed.

Policy-holders are too often led to believe that inas-much as they purchase their life insurance at a younger age they are getting their insurance at a lower cost than if they were to purchase it at their advanced age. This is NOT true where policies are continued in force until death. Each policy-holder purchasing a $1,000 death claim is required to pay to the company a sum of money which, improved at the rate of interest adopted by the company, is sufficient to pay all the current expenses of the company, and in addition thereto create a reserve fund equal to the death claim at age 96, regardless of the age of the insured at the time the policy was purchased. If the policy is purchased at age 21 on the whole life continuous premium plan, while the premiums required will be smaller, yet he will be required to make twenty more premium payments than were he to purchase the policy at age 41. They are also led to believe that the death claim is all actual insurance, which is not true. The death claim contains the insurance.

88. American Table of Mortality Used.

The American Experience Table of Mortality (see article 328) is the table used by practically all the life insurance companies to calculate the cost of the insurance for each policy-holder and for different ages on any policy, for the number of years the policy is

written to cover relative to the age of the insured at the date of issue of the policy and subsequent years.

This table, compiled from observation and experience, assumes that, starting with a large number of individuals at any given age, a certain per cent on the average, will die during the first year and a greater per cent of the living, the next year, and so on year after year until all are supposed to be dead by age 96.

There is no actual insurance remaining in any form of policy after age 96 because the premiums paid and their interest worth are sufficient to pay all of the expenses of the company and in addition thereto an amount equal to the face of the policy or the death claim at that time. All whole life policies mature as an endowment at age 96.

The calculations made from this table of mortality are presumed to be absolutely safe. Experience has proved that the rates established by this table are a little in excess of the actual amount required, therefore this basis has proved to be a safe one for the company and to furnish permanent and absolute protection for the policy-holder.

89. It is Not Plain How Losses Occur.

This being a well established fact it may not be plain to policy-holders how it is possible to have losses occur when the rates charged are based on this table. It is very seldom that any loss occurs to the insured when his life insurance policy is written to contain only the fundamental principle of life insurance, namely, protection. Losses only occur to the insured or his estate when the policies are written to contain the elements of "investment" or "paid-up values" or any other items that are not insurance and are detrimental to the principles of insurance.

90. Cost Easily Calculated by Company.

By referring to the table of mortality, which is based on past experience, it is very easy for the com-

pany to calculate the cost to be paid by the policy-holder for any age, and any number of years the policy is written to cover, and with any other conditions the policy may contain in addition to that of the death claim. It is the charges made against the policy-holder for these additional items that requires the issuance of so many different forms of policies and also makes such a variation in the yearly cost to the policy-holder for each $1,000 of death claim or multiple thereof.

The reader should ever bear in mind that when he purchases a life insurance policy, which promises to furnish any benefits other than true insurance, he must pay the company the full worth of such benefits and when he is to receive such benefits at some future time, he is jeopardizing to loss by death in the meantime all money paid for the same.

91. Interest Used in Calculating Premiums.

The company always takes into consideration the interest to be earned when it calculates the money to be paid by the insured for the benefits provided for by the terms of the policy, thus making the amount of money the insured is required to pay less than if the interest rate was not considered. The rate of interest adopted by the different companies is 3, 3½ and 4 per cent. Most all companies have adopted the three per cent basis. The state laws provide that a minimum rate of interest must be earned on all excess money paid to the companies by the policy-holders to create the reserve.

Owing to the fact that all companies do not adopt the same interest basis there is a slight difference in the net rates required for the different forms of policies issued. Where a company has adopted the three per cent basis it must earn a minimum of three per cent interest on all money held to create the reserve values. Where a company has adopted the three and

one-half or four per cent basis it must earn a minimum of three and one-half or four per cent interest on such reserve value. It will require more money to produce a stated amount of money at the end of a specified number of years where the three per cent basis is adopted than is required under the three and one-half or four per cent basis.

At age 35 the net rate on a whole life continuous premium policy on the three per cent basis is $21.08, on the three and one-half per cent basis it is $19.91 and on the four per cent basis it is $18.84, and the cash value or self-insurance funds will vary in proportion. The four per cent being a little less than the three and one-half per cent and the three and one-half per cent being a little less than the three per cent at the end of an equal number of years the policy has been in force until age 96 is attained on permanent insurance and to the end of the endowment period on the endowment policy, at which time all reserve values are equal.

The cash value or self-insurance fund accumulated on a whole life continuous premium policy on the three per cent basis the tenth year issued at age 35 is $146.01, on the three and one-half per cent basis $135.76 and on the four per cent basis it is $126.26.

Where the policies are issued on the three and one-half per cent basis the net premiums and cash value or self-insurance funds vary proportionately at the different ages and years specified on all forms of single premium life, whole life and limited payment life policies, but regardless of the rate of interest adopted the cash value or self-insurance fund always equals the amount of the death claim at age 96 of the insured on the above forms of policies, if the policies are all based on the American Table of Mortality.

The net premiums and the cash value or self-insurance funds vary approximately the same, for the same age, and same number of years specified on the different forms of endowment policies issued on the three-

three and one-half and four per cent basis, but the cash value or self-insurance fund becomes equal to the death claim at the end of the endowment period, regardless of the interest basis adopted.

The amount of money to be paid yearly for permanent insurance, as required by the table of mortality, exclusive of his own policy, is always in excess of the amount required to pay the current expenses of the company for that year and the company agrees to earn the rate of interest adopted by it on such excess money paid to create the reserve. Consequently when a certain rate of interest is agreed upon at the time the policy is issued, this rate cannot be changed to a lower rate without changing the conditions of the policy.

Whenever reference is made to the basis of a life insurance policy we say, "the policy is based upon the American Table of Mortality with 3, 3½ or 4 per cent interest," as the case may be. Thus we have a basis from which to calculate the cost to the company.

92. Cost of Insurance to Policy-Holder.

The cost to the insured for his life insurance will now be taken into consideration. The purchaser of insurance should select the form of policy desired which contains the most favorable conditions adapted to his needs, which can be furnished in a well established company at the smallest cost for the same. See conditions, privileges and restrictions a policy should contain, Chapter XIV.

93. Interest Worth Should Be Considered by Purchaser.

In calculating the cost of a life insurance policy the interest worth of the premiums paid should be taken into consideration by the purchaser, because the rate established by the company is based on this item and the fact that this is very important in establish-

ing the company's rate to be charged the policy-holder should be ample proof that this item should be taken into consideration when the policy-holder is calculating the cost of his life insurance. Insurance should always be purchased for protection for those dependent upon the insured. Any future benefits the insured is to receive under a life insurance policy are only IMAGINARY, but the premiums and their interest worth which are paid for these forms of policies are NOT imaginary.

94. Premiums to Be Paid.

If the insured could purchase a one thousand dollar bank note to be paid to his beneficiary should his death occur in the next twelve months, for $15 or $23, why should he pay $38 or $50 for the same? If this principle applies to the first year of a policy, why does it not apply to the 2nd, 3rd and 4th years, etc.?

95. Insured Should Take no Chance.

A life insurance policy is purchased for the purpose of eliminating the chances of the insured being unable to provide in the future, for those dependent upon him should his death occur. This being a fact why should the policy-holder pay to the company unnecessary money and take chances on living to receive it, first shifting the element of chance to be borne by the company and then accepting a policy which shifts a portion of this element back to him? By eliminating the chance element on the part of the insured from the policy, the cost of the same would be greatly reduced.

96. High Premiums Do Not Reduce Actual Cost to Insured.

The purchaser of insurance is too often led to believe that by paying the higher premiums for his insurance the cost to him will be reduced. This is only

a delusion and a snare. The twenty payment whole life policy is the most popular form of policy issued at this time because the public is educated by the life insurance companies to believe, that under this form the insurance can be purchased at a less cost than under the whole life continuous premium policy, because the payment of premiums cease after twenty years, yet this is one of the most expensive forms of permanent insurance for the insured.

97. Misleading Illustration Shown by Life Insurance Agents.

It is not uncommon for the agent to illustrate that by adopting this form of policy the insured can secure his insurance for practically the interest on his money. While this is true to a certain extent, yet the insured is required to pay such large yearly premiums that the excess money and the interest worth of the premiums paid makes it very expensive insurance and in addition thereto, he is subjecting the excess premium paid to loss by death in the meantime.

For example, let us take a twenty-payment whole life policy at age 35, three and one-half per cent interest basis, non-participating plan, average annual premium, $30.10. In order that no partiality may be shown the average non-participating rate is used in this illustration. Some companies quote a lower and some a higher rate. The full legal reserve or cash surrender values are used for illustration. Where a smaller cash surrender value is given by any company, than those quoted herein, the difference between the two represents the fee charged by the company for surrender. Some companies do not charge a surrender fee.

Total premiums paid in twenty years, LESS INTEREST WORTH $602.00. Deducting full reserve or cash surrender value at end of twentieth year of $566.15, leaves a balance of $35.85. Therefore the in-

sured has carried a $1,000 death claim for twenty years for $35.85 and the INTEREST WORTH OF THE PREMIUMS. At a glance this looks most awful reasonable and the average person, without stopping to figure the real cost, is liable to accept the same.

98. Correct Illustration.

Let us determine the actual cost by adding the INTEREST WORTH of the premiums paid.

The premium of $30.10 paid yearly in advance improved at five per cent interest in twenty years will amount to $1,045.07, deducting the cash surrender value of $566.15 will leave a balance of $478.92, which represents the actual cost of a $1,000 death claim for twenty years.

99. Investment Element of Premium is Lost Where Insured Dies.

The insured is too often induced to purchase the high-priced limited premium policies on account of the large amount of cash the insured will be able to receive providing he lives. If the insured is going to live to the end of the twentieth year in order to be able to receive the large cash surrender value which is held up to the insured as an inducement to purchase the policy, he does not need life insurance. Life insurance is only paid to the beneficiary where the insured dies. If he is going to die what is the use of purchasing the high-priced insurance in order to accumulate a large cash value or self-insurance fund which will be lost in case of death? The large cash value or self-insurance fund does not increase the death claim, it only helps the company to pay the death claim. If the purchaser is going to live for twenty years invest the amount of the premium, $30.10, yearly in advance at five per cent and in twenty years the insured will have $1,045.07 in cash. Certainly the purchaser does not know that he is going to live twenty

years. Then what? Purchase a $1,000 death claim on the whole life continuous premium plan for the average non-participating premium of $22.20 for age 35, and by so doing the purchaser will secure the greatest amount of insurance for the smallest cost, and invest the balance of the premium where it will not be lost should the insured die. For further illustration of this point see article 267.

100. Limited Premium Policies Are Single Premium Insurance.

Where any form of a limited payment whole life policy is purchased the insured is simply purchasing single premium insurance for an older age and single premium is the most expensive form of permanent insurance. Where the insured purchases a twenty-payment life policy at age 35 on the non-participating three and one-half per cent basis, the $30.10 paid to the company annually will pay the insured's share of mortality and managing expenses for the twenty years and in addition thereto create a reserve or self-insurance fund equal to the single premium of $566.15 for age 55. If the insured purchases a "paid-up" policy at age 55 the cash value or self-insurance fund is simply turned over to the company as a single premium.

Why pay $566.15 for a $1,000 "paid-up" death claim at age 55? That pays for your insurance until you are 96 years old and should death occur in the first few years this would be a pretty heavy premium to pay for a $1,000 death claim. The accumulated reserve or the cash surrender value of any form of a limited payment whole life policy at the end of the premium paying period issued at any age, equals the single premium at the attained age of the insured.

101. Illustration.

For example, the accumulated reserve or cash surrender value of a $1,000 death claim on the twenty

payment whole life plan issued at age 35 on the three and one-half per cent basis at the end of the twentieth year is $566.15. The net single premium required for a $1,000 death claim on the three and one-half per cent basis at age 55, the attained age of the insured, is $566.15. If the insured purchased a $1,000 death claim, on the fifteen payment whole life plan, same basis at age 40, the accumulated reserve or the cash surrender value at the end of the fifteenth year would be $566.15, being the net single premium for age 55, the attained age of the insured. If the insured purchased a $1,000 death claim on the ten payment whole life plan, same basis, at age 45, the accumulated reserve or the cash surrender value at the end of the tenth year would be $566.15, being the net single premium for age 55, the attained age of the insured.

102. Participating vs. Non-Participating.

As the item of so-called dividends the insured expects to receive where the policy is purchased upon the participating plan is very important in calculating the cost to the insured of his insurance, this point will be here explained by giving the reader illustrations and comparisons whereby a comprehensive understanding may be had of the future results that may be expected.

The companies now writing insurance upon the legal reserve basis are divided into two distinctive classes namely, participating and non-participating. Some companies still continue to write their business on the participating or dividend paying plan and a great number of companies have adopted the non-participating plan, and there are a few who write their policies on both the participating and non-participating plans.

103. Participating Insurance.

The participating companies are those who add a large amount called "expense loading" to the net

premiums to pay the expense of management and also to create a surplus fund to meet any excess mortality expense should this item exceed the expected mortality. The company agreeing to return to the policy-holder as "dividends" all of the excess money collected, which has not been used for extra mortality expense and expense of management. As it is impossible to calculate the exact amount of overcharge or the amount to be returned to the policy-holder as so-called "dividends" the amount to be so returned must be an "estimated" amount and the fact that the officers of the participating companies and also their agents, are so lavish in their "estimates" of the so-called "dividends" to be paid to the policy-holders under these forms of policies that far exceed the amounts actually returned, is creating a distrust and general dissatisfaction among the policy-holders and prospective purchasers of life insurance.

104. Dividends Overestimated.

It is not uncommon to find the agents of these companies submitting "typewritten" sheets showing the future "estimated dividends" or results to be obtained so greatly exaggerated that the purchaser is led to believe that he can carry his insurance for almost nothing. Many states have passed laws prohibiting the officers or agents of any company from furnishing any "estimated dividends" to be paid under these forms of policies. See Article 323, Section 132, Chapter 5, of Indiana laws, and Article 324, Section 206, Chapter 5, of Illinois laws.

105. Investigation by Armstrong Committee.

There has been millions of dollars of unnecessary money paid to the participating companies by the policy-holders for managing expenses, which resulted in gross mismanagement and lavish expenditure of money, rightfully belonging to the policy-holders, and it was

Mr. Lawson's exposure of these methods that caused the investigation of the life insurance companies of New York by the Armstrong Committee. While this investigation has done a great deal to remedy some of the evils practiced by life insurance companies, yet the committee did not go far enough with the reform.

106. Investment.

The officers of the participating companies have spent vast sums of money educating the public to believe that by purchasing the higher-priced forms of policies they were really securing an investment and that the refunds in the overcharge made in the premiums were actual "dividends." The only possible investment to be received under a life insurance policy is the insurance paid to the beneficiary after the death of the insured. The greater amount of actual insurance contained in the death claim, the greater will be the investment, and the lower costing policies afford the greatest amount of actual insurance of the death claim.

Where the insured at age of 35 pays $38 for a $1,000 death claim that can be purchased in just as reliable a company with just as favorable policy conditions for $30, and have $6 or $8 or possibly $9 returned as a "dividend" at some future time, can this be considered a "dividend?"

In order to best illustrate the true condition existing regarding the dividend element of a life insurance policy an opinion of Commissioner of Internal Revenue Royal E. Cabell of an act of August 5th, 1909, will be given and it will undoubtedly be very interesting reading to persons who have purchased the participating insurance and paid the high rate of premium for the same, believing they really had a good investment. See article 319.

This opinion declares that the so-called "dividends"

of life insurance policies are subject to assessment as incomes and requires very little comment as it is self explanatory, yet it is well to call special attention to a few of the most vital points at issue.

107. Dividends Are Refund of Overcharge.

By referring to paragraph three (3) it will be found that the officials of the life insurance companies contend that the dividends paid to the policy-holders are not really "dividends," but simply a return of the overcharge made in the premium which is held in trust by the company, a part or all, perhaps (most always only a part, less the interest worth) to be returned to the policy-holder at some future date.

These same companies for many years have been educating their agents to believe that this refund of overcharge was really a "dividend." The vast amount of literature distributed by these companies and their advertisements specifically state to the public that the cash the policy-holder receives as a "dividend" is in reality a portion of the surplus or earnings of the company, and if this is true it IS a dividend and Commissioner Cabell's opinion is to the effect that they ARE dividends. Does not this admission on the part of the officers of these companies give the public a right to at least doubt their integrity and sincerity? Is it not fair to presume that if they would misrepresent one thing either to the public or Commissioner Cabell, that it might be possible for them to make other misrepresentations regarding the policies?

108. Misrepresentations Are Being Made.

There is no doubt that misrepresentations have been made and there are misrepresentations being made to the public every day which are more detrimental to the financial interests of the policy-holders on account of the larger sums of money being paid to the company for alleged "investment" policies.

109. Unbusinesslike Methods Adopted.

By referring to paragraph eight (8) of this opinion it will be found that the methods adopted by the officers of these companies, to induce prospective purchasers of life insurance to purchase the dividend-paying policies, to be very unbusiness-like to say the least of it.

Owing to exigencies of business caused by the strenuous competition between the dividend-paying companies and the non-dividend paying companies, does the policy-holder feel that the officers of these companies are justified in instructing their agents to resort to any methods or misrepresentations, if necessary, in order to secure an application for the high-priced dividend-paying policies?

110. Unexpected Admissions.

This is a most unexpected admission on the part of the officers of the participating companies on account of their having educated the public to believe, that the premiums paid for the high-priced policies not only furnished insurance protection in case of death, but afforded in addition thereto an "investment" upon which liberal "dividends' would be received, provided the insured lives. This should clearly prove that there has been gross misrepresentations made by the officers of these companies and has placed the agents, who have been taught by said officers to use these misrepresentations in the procuring of business, in a very unenviable position.

111. Term "Dividends" Not Used By Some Companies.

Some participating companies are discontinuing the use of the term "dividends" as applied to the refund of the overcharge in the premiums, which is a very commendable act, as it places their agents in a position to solicit business without having to make mis-

representations. Some of the participating companies are allowing a refund of a considerable amount of the overcharge at the time the second premium is paid. Heretofore the refund has not been allowed until the third premium was paid.

112. A New Company Every Year.

The policy-holder should ever bear in mind that his policy does not participate in the surplus or dividends accruing on policies issued by the companies in former years or on the policies issued in after years. Theoretically speaking an insurance company is a new company every year, i. e., all of the policies issued during each calendar year of the company are placed in a class by themselves and any policy will only participate in the dividends accruing on the policies issued in its class.

The fact that this refund of the overcharge is allowed at the end of the first year or the time the second premium is paid should be ample proof that it is not a "dividend," because it costs the company all of the first premium and a part of the second, in a great many instances, to place the business on its books after deducting the amount required for reserve. Therefore there was no premium left on which to earn a "dividend" the first year and if the policy-holder receives a refund of the overcharge at the end of the first year the amount of money so returned was either retained by the company or else taken from the surplus belonging to some other class of policy-holders.

113. Element of "Dividends" Uncertain.

By referring to paragraph nine (9) it will be found that Commissioner Cabell is of the opinion that in many cases the earnings of the companies from previous investment and holdings are nearly, if not quite, as large as the amounts which are annually distrib-

uted as "dividends," which the policy-holder is entitled to under the terms of the policy.

The officers of these companies now declare that the dividends paid upon the policy are not the true earnings of the company, but simply a refund of the excess premium charged. If this contention is true should not the policy-holder be entitled to the true earnings of the company which his policy gives him the right to receive and in addition thereto the refund of overcharge, which the officers of these companies say he is entitled to and which they declare they only hold in trust to be returned to him at some future time as "dividends?" Which of these two elements is it that the participating policy-holder does NOT receive? Can any policy-holder whose policy provides that he shall participate in the earnings of the company after reading the opinion of Commissioner Cabell and reading the declarations made by the officers of these companies, feel that he is getting a fair and equitable deal?

114. Dividends Are Taxable.

By referring to paragraph eighteen (18) of this opinion it will be found that Commissioner Cabell decided, that not only the dividends paid in cash are taxable, but also those applied to the renewal of premiums, to shorten the premium-paying period or to purchase paid-up additions and annuities.

115. Cost of Insurance Reduced.

By going back a few years in the history of the life insurance business it will be found that the cost of life insurance is being gradually reduced, more especially in the last few years.

The rates charged by the participating companies were originally based upon the Combined Table of Mortality and large amounts were added to the net premiums called "expense loading" to not only de-

fray the expense of management, but to create a surplus fund out of which extra mortality expense could be paid should the actual expense of mortality exceed that estimated in the tables. The possible life-time of the insured was placed at age 100 by this table. This "loading" in some instances was equal to thirty-three and one-third per cent of the net premiums. After many years it was found by actual experience that the net rates established by the Combined Table of Mortality were much in excess of the actual amount required, so the American Table of Mortality was adopted for the calculation of the net rates required on the different forms of policies. The American Table of Mortality is based on the age limit, or the possible life-time of the insured, as 96. The adoption of this table materially reduced the net rates required for the different forms of policies. The same percentage of "expense loading" was still maintained.

116. Deferred Dividends.

The refunding of any overcharge made in the premium called "dividends" during these years, was generally deferred or withheld by the company and returned at different periods ranging from five, ten, fifteen and twenty years, as decided upon by the applicant at the time the policy was purchased. These policies were issued on what was called the "deferred dividend" plan. The system of deferring the dividends worked a hardship upon the policy-holders by requiring the payment of excessive premiums. As these overcharges in the annual premiums ranged anywhere from five to twenty dollars on each $1,000 death claim on the different form of policies, according to the age of the insured, and where the insured had allowed these overcharges to accumulate for many years, sometimes as high as twenty, it was a source of great loss to the insured's beneficiary or estate where death occurred before the distribution of such

"deferred dividends" was made and returned to the insured. Of course at that time some of the policies were issued on the "annual dividend" or distribution plan, but the prospective purchaser was led to believe, by the agents representing these companies, that where the dividends were apportioned or paid annually the policy-holder would not receive nearly as large "dividends" as he would if he allowed them to remain in the hands of the company for a great number of years. While the "dividends" that were paid under the "deferred dividend" plan would exceed the amount paid when the "dividends" were paid annually, yet when the interest worth of the "deferred dividends" was taken into consideration it would be found that they were practically the same.

117. New Epoch in History of Life Insurance.

Then another epoch was added to the history of the several companies engaged in the business of writing life insurance, when certain states passed laws prohibiting the issuance of any form of "deferred dividend" policies. These laws were passed to protect the policy-holders against loss to his estate or beneficiary by death of these "deferred dividends" and the fact that it was necessary to pass these laws does not verify the statements made to the public by the life insurance companies, "that they never take advantage of their policy-holders in any way and that they always give the policy-holders a fair and equitable contract."

Owing to the fact that the actual "dividends" paid by the participating or dividend-paying companies were so much less than those estimated by the companies and their agents at the time the policies were purchased, has created a distrust in the minds of the public.

118. The Agent's Arguments.

The argument used by the agent of a participating company, in order to convince the prospective purchaser that the participating insurance will cost him less than the non-participating is, "that the 'dividends' he will receive upon his participating policy will be sufficient to reduce the premium below that charged by the non-participating companies; that the non-participating companies, in order to provide for any possible future emergencies, are required to charge much more than the actual cost." Granting this to be true then why do not the officers of the participating companies charge the non-participating premium and say to the prospective purchaser, "this rate is too high; we will be able to give you a 'dividend' or a refund or the overcharge on this premium?" It MUST be true that the premium rates of the non-participating companies are too high, because the officers and agents of the participating companies say so.

Why is it necessary for the prospective purchaser, age 35, on a $1,000 death claim to be issued on the twenty-payment whole life plan, required to pay $38 for the participating policy when the non-participating rate of $30 is too much to pay? Why should this eight dollars be charged the policy-holder to enable him to participate in the "profits" of the company? This seems about as consistent as some of the other arguments set forth. The answer to this problem would undoubtedly be, "the company makes this charge in order to be absolutely safe." If the non-participating insurance costs more than the participating insurance, why are not the non-participating companies safer than the participating companies?

119. Overcharges Due to Lack of Knowledge.

This overcharge in the premiums has been made by the participating companies since the beginning of the life insurance business in this country and was due

to the lack of knowledge of mortality statistics, possible interest to be earned and the amount of money actually required for managing expenses.

After many years of actual experience it has been thoroughly demonstrated that where a large number of policy-holders are taken into consideration it is possible for the life insurance companies to determine the average number of deaths that will occur from year to year, thereby enabling the companies to calculate the future cost of insuring a large number of people.

120. Non-Participating Premiums.

The premium rates adopted by the non-participating companies contain a very small loading for expenses, therefore the companies will be required to secure the balance of the money required for this item, from the savings in mortality, excess interest earning and by charging a small withdrawal fee. Under these forms of policies any cash the insured is to receive in the future is a guaranteed amount, there being no "estimated dividends" to be received by the insured and by eliminating the "dividend" item from the premiums to be paid the company, the policy-holder will not only avoid the possibility of the "estimated dividends" to be received being far in excess of those actually received, but will avoid any suspicion on his part, that he is not receiving the amount of "dividends" he is entitled to on his policy.

As practically all the non-participating companies are operating on the three and one-half per cent basis the average three and one-half per cent non-participating and three and one-half per cent participating rates will be used in the following illustration. These average rates will be found to be very near the rates charged by all the companies operating on the three and one-half per cent basis. Of course some are a little lower and some are a little higher, but the re-

sults shown will be in proportion to the premiums charged.

121. Why Not Receive Large "Dividends?"

At age 35 of the insured the average non-participating rate is $30.10 and the average participating rate is $36.10 on a $1,000 death claim issued on the twenty-payment whole life plan, therefore $6.00 is being charged for participation. If the insured feels that he MUST pay $36.10 for a $1,000 death claim, instead of $30.10 for one equally as reliable and containing practically the same policy conditions that he may be able to receive a part or perhaps all of the overcharge less the interest worth returned as a so-called "dividend" at some future time, why not pay $80.10 instead of $30.10 (non-participating rate) that the difference may be returned as a "dividend?" In the first instance you would only receive an average of about sixteen per cent, while in the latter you would be receiving an average of about sixty-two per cent on the original "investment." The following looks still better:

The chances are you would receive a "dividend" of about three dollars at the end of the second year, or at the time the third premium was paid. In order to receive the full amount of the overcharge the "dividend" would equal about nine dollars the twentieth year. Therefore your "investment" would pay a "dividend" of about nine per cent at the end of the second year and gradually increasing each year to about twenty-five per cent the twentieth year, and you must not forget that in addition to this handsome "investment" you would be carrying a $1,000 death claim payable to the beneficiary or estate upon your death. If the insured was able to secure a handsome "investment" like this, would he not be justified in "investing" all of the money he could secure? If he only had fifty dollars to pay to the company to

buy "dividends" note the handsome returns he would receive for his money.

Problem: necessary cost on insurance $30.10; $50.00 to be returned as "dividends;" total $80.10.

If the company would return the same proportionate amount at the end of the second year as in the first illustration the insured would receive a "dividend" of about sixty-nine per cent, gradually increasing to about ninety-three per cent the twentieth year.

122. Suggestion.

If the participating companies must resort to furnishing alluring illustrations in order to sell their insurance, why not offer a guaranteed endowment of $10,000 for each $1,000 death claim purchased at age 21, or any age thereafter up to age 90, providing the insured will pay the premium now required on a whole life continuous premium policy for the different ages, the $1,000 death claim to mature as a $10,000 endowment at age 110. This would be just as consistent as some of the other forms of policies now being sold.

If the insurance company would offer such a proposition for sale there would undoubtedly be a great deal of it sold, because it is very easy to find persons ever ready to take a chance to get SOMETHING for NOTHING, or to take a chance to get enormous returns for a small investment, never stopping to investigate the proposition and see whether they really have a chance of receiving the promised returns, or not.

Any whole life policy matures as an endowment for its face value at age 96, and if a life insurance company, with its reputation for always doing good, and never taking advantage of its policy-holders in any way whatsoever, would offer $10,000, instead of $1,000 as they now offer on each $1,000 death claim, there would be many persons accept the same, only they would buy a $10,000 policy which would mature as

$100,000 at age 110, never stopping to think that they had no chance of living to be 110.

In order to sell this "guaranteed investment policy" it might be necessary for the agent of the company to select some prominent and influential man, most generally a banker or prominent business man, well known in the locality in which the agent wished to "make a killing," and in order to use his valuable name either give him one of these valuable contracts, or else sell him one at a great reduction and agree to give this prominent man for the use of his name, a part of the commissions on all business the agent would place in that locality. With the reputation of the life insurance company and the local influence of this prominent man, the agent would have no trouble in placing a large number of these valuable contracts.

123. The Best Investment.

If the prospective purchaser of life insurance will purchase the protection desired on the renewable term, where temporary protection is needed, and on the whole life continuous premium plan where permanent protection is needed for the smallest cost, and eliminate all of the elements of "dividends," savings or "investments" or any special inducement or any policies with coupons to be clipped and purchase legitimate investments for the money he has for investment, he will be investing his money the best possible way to receive legitimate returns.

A full explanation of the plans whereby objectionable forms of policies may be reformed without loss to the insured, thereby reducing the actual cost of the same, will be found in the analysis of the different forms of policies in the following pages.

CHAPTER V

ONE-YEAR TERM OR STEP-RATE POLICY

Policy No. 1. **Premium $11.59.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent Int.

124. Analysis.

This policy is written to cover one year of insurance and under the conditions contained in the same the company agrees to pay $1,000 to the beneficiary designated therein, or to the insured's executors, administrations or assigns, provided the insured dies within one year from its issue date and the company assumes no further liability as the policy expires at that time without value.

125. Net Premium Required.

The net natural premium required for this policy is $8.69, which with its interest worth will enable the company to assume the liability of a $1,000 death claim for one year. The $8.69 payable in advance is the NET premium or cost, as it contains no expense loading or money contributed to pay the expense of the company's management, it being the assumed mortality expense during the year. By adding $2.90 to the net premium which is the amount contributed by the insured to pay his share of the expense of management of the company, we have a total of $11.59, being the gross natural premium the insured is required to pay.

126. Policy Expires at End One Year.

As this policy terminates at the end of one year without value, should the insured desire insurance after that date it will be necessary for him to secure a new contract with the company by passing a satisfactory medical examination, and he will be required to pay the rate at his attained age, 36. By referring to the table, article 329, which gives the net and gross natural premiums each year to age 96, which is the possible life-time of the insured, the insured will note the gradual increase in the yearly premium required for this form of policy.

127. Mortality and Managing Expense.

By referring to the mortality table article 328, the insured will see that out of each 1,000 persons, age 35, living at the beginning of the year, there will be 8.95 die during the year. Therefore the company would experience a mortality expense of approximately $8,950, providing that each person was carrying $1,000 insurance. As each policy-holder is required to pay $8.69 in advance, the company would receive from the 1,000 policy-holders $8,690. This amount with its interest worth at three per cent of $260 will equal the $8,950. As each policy-holder will be required to pay $2.90 additional for managing expenses the company would also have $2,900 for this item. It is only fair to presume that there would be more deaths occur in each 1,000 persons at age 45 than at age 35. The table shows that at age 45 out of each 1,000 persons there would be 11.16 die. Therefore the company would have a mortality expense of approximately $11,160 or an increase of $2,210 in the ten years. In order to meet this additional expense each policy-holder will be required to pay $10.84 at age 45, instead of $8.69 (age 35), therefore the company would receive from the 1,000 policy-holders $10,840. This amount with its interest worth at three per cent of $320 will equal

$11,160. At age 65 the number of deaths per 1,000 would increase to 40.14. At age 75 it would increase to 94.37. At age 85 it would increase to 235.55. At age 95 there would be 1,000 deaths. Thus it will be clearly seen that in order to meet this steadily increasing mortality expense under this form of policy the company will be required to increase the premium each year accordingly.

128. Cost of One Year Term Insurance Used as a Basis.

The cost of one year's insurance, which is the basis of calculating the cost on all forms of policies, is given in detail in article 329 to fully illustrate the steadily increasing cost of $1,000 death claim where practically all of the $1,000 is actual insurance. It also shows the amount the company must receive in order to assume the liability of a $1,000 death claim at the different ages where practically all of the death claim is assumed by the company. This condition does not exist in any other form of policy.

129. One Year Term or Step-Rate Policy Unpopular.

The insuring public have been educated by the life insurance companies to believe that this form of policy is the most expensive form of life insurance and in order to mislead the insured into the thought that he can avoid or "side-step," as it were, this steadily increasing yearly cost they have devised level premium forms of policies where the insured pays the same premium each year for life, or for a limited number of years. These different forms of policies will be explained more fully in the following pages.

130. Actual Insurance Reduced Where Reserves Are Maintained.

Insured must bear in mind that any money he has paid to the company each year, in excess of the amount

required to meet the mortality expense and his share of managing expenses, reduces the amount the company has at risk. This excess money and its interest worth is held by the company to reduce its future liabilities under the policy. The money so accumulated and held by the company is called "legal reserve" or "self-insurance fund" and constitutes the cash value of the policy, or the cash the company will return to the insured upon surrender of the policy, most commonly called "cash surrender value."

131. Illustration.

Where the policy is written for $1,000, 3 per cent basis, on the whole life continuous premium plan at age 35 of the insured, the legal reserve or self-insurance fund at age 64, will amount to about $500. Consequently should the death of the insured occur at that time the company's liability would only be $500. This $500 represents the actual insurance at that time. The $500 reserve or excess cash which the insured has paid to the company, represents the cash surrender value of the policy.

132. Plan for Ascertaining Actual Insurance in Death Claim.

By referring to the table of net premiums (3 per cent), article 329, it will be found the rate for a $1,000 death claim at age 64 is $35.80, therefore where the company only has $500 at risk the net cost would be $17.90. In order to ascertain the actual insurance contained in any form of policy at any year, it is only necessary to subtract the cash surrender value or the self-insurance fund from the death claim, the balance being the actual insurance contained in the policy or the amount the company has at risk that year. For example let us take a $1,000 policy issued at age 40, 3 per cent basis, on the twenty payment life plan the tenth year. By referring to the table

of terminal net or cash surrender values, article 333, we find that the reserve accumulated the tenth year is $283.23, therefore the company has only $716.77 at risk. This reduction of the actual insurance at age 50 will offset the increased liability for the $1,000 death claim at the age of 50. By multiplying $716.77 (the actual insurance contained in the policy) by $13.38 which is the net cost of a $1,000 death claim at age 50, the attained age of the insured, we have $9.59 which is the net cost for the actual insurance or the amount the company has at risk. Any money paid the company in excess of this amount is paid to create the reserve fund and pay the expense of management and to pay any possible "dividends" accruing on the policy should it be issued by a participating company. The net cost in any form of policy, whether new or old, increases as the insured grows older.

These illustrations are simply used to help explain the different forms of policies to be taken up hereafter which provide for the payment of a limited number of premiums during the first years of the policy and at the younger age of the insured, but require the payment of sufficient money together with its interest worth, to pay for the actual insurance in advance, for all the insurance years from the age of the insured at the issue date of the policy to age 96.

133. Renewable Term Policy.

Some companies by increasing the gross rate yearly on this one year term form are issuing this policy giving the insured the privilege of renewing the same each year, by paying the increased rate stipulated for the advanced year, and this is done without a medical re-examination. This form of policy gives the insured the most actual insurance in each $1,000 death claim, by paying the increased yearly cost each succeeding year, and this policy is generally written to cover all the years to about age 65, when by its

terms it must usually be changed to some other form. As the rate increases or "steps-up" each year this policy is most generally called "step-rate" insurance.

134. Term Policies Generally Have No Surrender Values.

This form of policy has no surrender values or money to be returned to the insured upon surrender of the same, it being clearly shown that all of the premiums paid have been consumed by the company; and the policy-holder does not like to see all, though it may be a small amount he has paid in for insurance, disappear at any time he ceases his premiums, as is the case on this form of policy. The companies have educated the public to discountenance this form of policy, leading them to believe, that this loss does not occur and that they can "get through paying for insurance" on the higher-priced forms, therefore this form of policy is very unpopular.

135. Death Benefit Fund.

The insured should ever remember that a life insurance company is simply the combination of a large number of policy-holders, who contribute a certain sum of money to be paid in one payment or a series of payments extending over a number of years, to establish a benefit fund, out of which a stipulated amount is to be paid to a third party, upon the death of one of its policy-holders; and that the only way this fund can be established is by the money to be paid in by its policy-holders plus its interest worth, and as long as the company pays its death claims this expense must be paid by the policy-holders; and when the insured is led to believe that he can join this combination and pay in a certain sum of money each year for its benefits and be able to withdraw from the organization at any future time and have returned to him all the money which he has contributed

and its interest worth, is certainly a gross misrepresentation.

136. Level Premium Does Not Reduce Actual Cost.

Where the company receives a larger premium yearly on $1,000 of death claim during the earlier years of the policy or during the younger ages of the insured, does not keep the cost of the actual insurance in the policy from increasing, but the excess premium paid, which is set aside by the company to be used in after years called "legal reserve," reduces the amount of the actual insurance contained in the policy or the amount the company has at risk, from the very first year; and the payment of this excess premium from year to year improved by its interest worth, accumulates a reserve fund equal to the amount the company has at risk, or the amount the company is required to pay upon the death of the insured. For illustration, should the insured purchase a policy at age 35, the premiums he would be required to pay for a $1,000 death claim would seem very small to him when he had attained the age of 65 or 70, but the excess money he had paid during the earlier years would reduce the actual insurance contained in the policy to almost nothing.

The net premiums charged by the company on any form of permanent insurance improved at the rate of interest adopted by the company, will more than equal the death claim, provided the insured lives to his full expectancy. For example, a $1,000 death claim issued at age 35 on the whole life continuous premium plan by a company operating on a three per cent basis, the net annual premium is $21.08; the life expectancy at age 35 is 31 years or age 66; the net premium of $21.08 paid annually in advance for 31 years improved at three per cent interest will amount to $1,085.66, therefore if insured lives to age 66, his full expectancy, the company will have derived more money

by the payment of this premium than it is required to pay upon the death of the insured. The interest on this money held by the company from year to year, is used to help make up the loss sustained by the company, by the death of those which have occurred in earlier years. The interest derived from this money and the premiums paid where the insured lives to age 70, four years beyond expectancy, makes up for the loss sustained by the company on the policy-holder who died at age 62, four years before his expectancy. The interest worth of this money and the premiums paid where the insured lives to age 86, twenty years beyond expectancy, makes up the loss sustained by the company where the policy-holder died twenty years before expectancy. The policy-holder who lives to age 96 pays the loss sustained for those who died the first year.

137. High Premiums Destroy Actual Insurance in Death Claim.

Insured should purchase his insurance upon a plan which gives him the most actual insurance at the smallest net cost. Any form of policy requiring the payment of a premium in excess of its cost each year will destroy too soon the very element of benefit for which it was purchased, namely, PROTECTION.

Any form of policy which requires the payment of a premium sufficient to meet the estimated mortality expense and a small contribution to pay expense of management of the company, whether the company be operating under the legal reserve or assessment plan, affords the greatest amount of actual insurance in the death claim.

138. Both Legal Reserve and Assessment Policies Eventually Lose Their Insurance Worth.

Any legal reserve ("old line") or any assessment form of policy issued to cover a long term of years, will eventually lose their worth so far as actual in-

surance is concerned. The assessment form always contains practically a full thousand of actual insurance in each thousand dollars of death claim, and the cost for same in later years becomes too high to warrant further outlay on the part of the insured; and the legal reserve forms written to cover many years, lose their worth for actual insurance, either because of the yearly increase in cost on forms that contain practically a full $1,000 of actual insurance in each $1,000 of death claim, or they lose their worth for actual insurance because the insured has paid the company a large amount yearly for many years, more than the worth of the actual insurance in the policy during such years, and the amount so paid or the accumulation therefrom is so near equal to the full amount of the death claim, that the policy has lost its value so far as actual insurance is concerned.

139. Assessment Insurance Could Be Made Popular.

Assessment insurance would be a great deal more popular with the public, if they had the proper understanding of the true conditions existing regarding the contract. There would be a great deal more insurance carried in the assessment companies today by those who cannot afford to carry the high-priced insurance sold by the legal reserve companies, if it were not for the fact that the assessment plan is so discredited by the legal reserve companies' representatives. The opportunity is never lost to show to the insured that his policy has no surrender values; that all of his premiums are lost and that his rates are liable to be increased; and that the only way left for the insured to get any returns from his policy, is to die; and the insured is led to believe that these losses do not occur with the legal reserve companies and that he does not have to die to get his insurance.

A full explanation of the twenty-year term form of policy will be found in the following chapter.

CHAPTER VI

TWENTY-YEAR TERM POLICY

Policy No. 2. **Premium $15.27.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent Int.

Blank Life Insurance Co., hereby insures the life of John Doe (hereinafter called the insured) in the sum of one thousand dollars for twenty years from the date hereof, which amount the company agrees to pay at its Home Office, to Mary Doe, his wife, (or to such other beneficiary as may be designated by the insured as hereinafter provided), if living, otherwise to the insured's executors, administrators or assigns upon due proofs of the death of the insured, this policy being then in force, subject to all the benefits, privileges and conditions stated on this and the following pages hereof, all of which are hereby made a part of this contract as fully as if recited at length over the signatures hereto affixed.

Signed **Signed**

Note: For conditions, privileges and restrictions see Chapter XIV.

The death claim provided in the policy may be payable as an annuity or instalments, see Chapter XI.

140. Analysis.

Policy number 2 as shown above is written to cover twenty years of insurance to be paid for in twenty equal annual instalments and provides to pay $1,000 upon the death of the insured to the beneficiary designated, providing the death of the insured occurs within twenty years from its issue date and providing all

premiums have been paid to date of demise. As the premiums on this policy are to be paid yearly for the full number of years the policy is written to cover and there being no extra charge made in the premiums for any investment features other than "dividends" this form of policy will furnish insurance at the smallest net cost to the insured should death occur during the twenty years, providing the company returns to the insured each year the overcharge in the premium made for "dividends." The average non-participating premium for a $1,000 death claim at age 35 for the twenty-year term policy is $14.25, therefore the difference in premiums of $1.02 represents the overcharge made for "dividends."

As this form of policy is only written to cover a specified number of years, the number of years specified being only a part of the years the insured may live, it is called TEMPORARY insurance. Where the policy is written to cover all of the years the insured may live, from the year the policy is issued to age 96 American Table of Mortality, it is called PERMANENT insurance.

This policy expires without cash values at the end of the twentieth year, or at age 55. If the insured at that time desires insurance it will be necessary for him to secure a new policy by passing a satisfactory re-medical examination and paying the premium for his attained age of 55.

141. Cash Value.

Under this form of policy the insured is only required to pay premiums sufficient to pay the expected mortality expense of the company and a small amount each year to pay managing expenses, at a level rate for the twenty years. As he has not been required to pay any excess money required to create the reserve or self-insurance fund for the number of years after the twentieth, which represent the possible life-time of

the insured from age 55 to 96, which is 41 years, the company has no cash to return to the insured for surrender at any time.

In order that the insured may pay an equal premium each year for the twenty years, he must pay enough money in excess of the actual cost during the early years of the policy to offset the increase in mortality expense in the latter years. This excess money paid and its interest worth accumulations, which the company must hold to meet the increase in mortality expense in the latter years of the policy, increases yearly to the end of the fourteenth year, at which time the company takes a part of the accumulations and adds to the net premium paid each year thereafter to meet the increased mortality expense. At the end of the twentieth year this reserve is entirely consumed, therefore the policy has no cash surrender value.

142. Death Claim Practically All Insurance Under Any Term Form of Policy.

This is a very popular form of policy because it furnishes insurance or protection for twenty years at a level rate and at a very small cost to the insured. In each $1,000 death claim the actual insurance contained in the policy is at all times practically $1,000. The accumulated reserve or self-insurance fund the fourteenth year, at which time it is the greatest, is only $19.63, therefore the death claim never contains less than $980.37 of actual insurance in each $1,000 death claim.

143. Five, Ten and Fifteen Year Term Policies.

By reducing the annual premium a small amount each year a great many companies issue this form of policy to cover a term of five, ten and fifteen years. The same general conditions of the twenty year term policy apply to the five, ten and fifteen year term policies.

The one year term policy may be carried as a twenty year term policy where the premium paid is sufficient to pay for the privilege of renewing each year without a re-medical examination, the only difference being that under the one year term form the premium would increase each year, while under the twenty year term plan it remains an equal amount from year to year.

144. Twenty Year Renewable Term.

By adding an amount on the average of one dollar at age 21, increasing to $3 at age 55, to the gross premium charged for $1,000 under this form of policy, the company will give the insured the privilege of renewing this policy any year during its continuance for an equal amount and for an equal number of years without a medical re-examination by paying the premium rate charged at the attained age of the insured. providing such renewal is made before the insured has attained the age of 55. The five, ten and fifteen year term policies may be renewed under the same conditions.

These forms of policies may also be exchanged any year, without medical re-examination, for any of the higher-priced forms of policies issued by the company upon the payment of the premium charged for the form selected for the attained age of the insured.

The excess premium charged for the renewal privilege is sufficient to offset the additional liability assumed by the company, where the insured has the privilege of renewing or exchanging without medical re-examination. If all of the policy-holders carrying the term forms of policies would renew or exchange the same, the company would hardly be required to charge a higher premium for this renewal privilege, but the fact that the policy-holders in poor health, who would not need insurance or would be able to secure insurance from other companies, would not be so liable to renew, the company would experi-

ence a heavier mortality expense than the original term premium would pay.

145. Renewable Term Insurance Should Always Be Purchased.

On account of the SMALL extra charge made in the premium for the renewal privilege the insured would not be justified in purchasing the straight term form of policy. Let us suppose that the twenty year renewable term form was selected and the insured's health should become impaired by sickness or accident, we will say the eighteenth year, so that death should be sure to occur in the next five or ten years, the insured would be sure to renew the policy at the end of the twentieth year and be willing to pay the increased premium for his attained age and would also feel that the small extra premium paid for the renewal privilege had offered the best investment he had ever made.

146. Renewable Term Is One Form of Permanent Insurance.

The renewable term policy is one form of permanent insurance and the permanent form of insurance should always be selected. Unless the insured is in a position to earn at least seven per cent. on his money and if he has the extra money with which to purchase his insurance on the whole life continuous premium plan, the cash surrender value available under the whole life continuous premium policy will reduce the cost of the insurance below that of the renewable term policy where the insurance is only desired for five years or more. Therefore if the insured has the money and cannot earn over seven per cent. interest on it, by paying to the company the extra premium required the whole life continuous premium policy will afford protection at a less cost than that furnished by the renewable term policy.

147. One of the Many Injustices.

One of the many injustices now practiced by the life insurance companies can best be illustrated on this form of policy.

The net premium required at age 21 on the twenty year term policy is $8.23. By adding forty-two per cent. of the net premium, which is $3.45 for expense loading, we have a gross premium required at age 21 of $11.68. At age 55 the net premium required on this form of policy is $35.24. By adding forty-two per cent. of the net premium ($35.24), which is $14.80, we have the gross premium of $50.04. This will be found to be the average gross premium charged by the participating companies; $3.45 is charged for managing expenses at age 21 and $14.80 at age 55, or a difference in expense loading of $11.35 for the two ages. Why should the policy-holder who purchases a policy at age 55 be required to pay $11.35 more for managing expenses than the policy-holder who purchases his policy at age 21? Does this seem consistent?

The difference in the charge for expense loading for these two ages does not appear at a glance to be of much consequence on a $1,000 death claim, but let us suppose that "A" purchased a $10,000 policy at age 21 on the twenty year term plan and also purchased a $10,000 policy at age 55. On the first policy he would be required to pay the company for expenses in the twenty years $690. On the second policy he would pay $2,960 in twenty years.

148. Dividend Delusion.

Of course these policies being issued to "A" by a participating or dividend paying company, it would be necessary for the company to pay a "dividend" on these policies. On the first policy the first "dividend" would probably be about $6 on the premium of $116.80 at the end of the second year, gradually increasing each year to perhaps $15 the twentieth year. Of course

the "dividend" would have to increase each year in order that "A" would be satisfied that he was getting all the "dividends" he was entitled to.

If the company returned all of the charge made for participation each year the "dividends" would not be an increasing amount from year to year, so the company in order to make it appear that the "dividends" are really increasing, withholds the charge made for participation the first year and with the amount of the overcharge they do not return during the early years of the dividend paying period plus the interest worth, they are able to pay large "dividends" the last years. At the time he purchased the second policy he would be required to pay a premium of $500.40. As this premium is four and a half times as large as the first premium paid, consequently in order to be satisfied he would expect a "dividend" about four and one-half times as large as the first one paid, or about $26, this amount gradually increasing to about $70 the twentieth year.

149. Company Requires Large Expense Loading to Pay Large "Dividends."

Had the company required the same amount of expense loading on the second policy as they required on the first, they would have been unable to pay this large "dividend" and if "A" had not received any larger "dividend" on the second policy than he did on the first, it is only fair to presume that he would have been very much dissatisfied and would have perhaps allowed his policy to lapse. So in order to thoroughly satisfy "A" so he would continue his policy, they simply required him to pay more for expense loading and "dividends" on the second policy than they did on the first.

The amount of reserve the company had on which to earn a "dividend" the nineteenth year on the first policy that "A" purchased was $12.90, all of the bal-

ance of the money which had been paid to the company in premiums having been used to pay death claims and managing expenses, yet the company would be able to pay a "dividend" of about $15.

Supposing "A" had purchased a twenty payment policy for $10,000 at age 21. The reserve accumulated the nineteenth year would have been $4,359.50. If the company can legitimately pay a "dividend" of $15 where the accumulated reserve on the policy at the beginning of that year is only $12.90, what "dividend" should they be able to pay on a policy where the accumuated reserve is $4,359.50?

By referring to the table of net premiums, Article 330, the reader will find the net premiums for the different forms of term policies. The difference in the net premiums on the three per cent. basis and the three and one-half per cent. basis is very small. By adding thirty-five per cent. of the net premium to the net premium shown in this table the average gross premium will be ascertained. This will give a fair and equitable cost for the different ages for participating premiums.

The gross premium found by adding thirty-five per cent. of the net premium to the net premium will be found to be very close to the average premium charged by the non-participating companies for ten, fifteen and twenty year renewable term policies.

As the one year term is used as a basis for the twenty year term and also the endowment, the different forms of the endowment policies will be next explained.

CHAPTER VII

TWENTY-YEAR ENDOWMENT POLICY

Policy No. 3. **Premium $50.63.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent. Interest.

The Blank Life Insurance Company, in consideration of the statements and declarations contained in the application for this policy a copy of which application is hereto attached, hereby referred to and made a material part of this contract, and which statements and declarations the insured reaffirms by the acceptance of this policy, and in further consideration of the payment to it in advance of fifty and 63/100 dollars, on or before the second day of January of each year until twenty full years' premiums shall have been paid, or until the prior death of the insured, does hereby insure the life of John Doe, herein referred to as the insured, in the sum of one thousand dollars, and does hereby agree to pay said amount provided this policy shall then be in force, at its home office, to the insured, if living, on the second day of January, 1933, or in the event of his death prior to said date, to pay said amount, upon satisfactory proof of the death of the insured during the continuance in force of said policy, to Mary E. Doe, his wife, if then living, if not, to the executors, administrators or assigns of said insured, after deducting therefrom the premiums, if any, for the balance of the policy year and all indebtedness of the parties to this contract to the company.

Subject in all cases to the conditions, benefits and

privileges stated on the second and third pages hereof, all of which are made a part of this contract as fully as if written over the signatures hereto affixed.

Signed Signed

Table of Loan and Surrender Values.

Years	Cash or Loan Value	Paid-up Policy	Extended (Years)	Extended (Ms.)	Insurance (Cash)
3	$107.50	$168	10	10	...
4	145.91	222	15	3	...
5	185.71	278	15	0	$ 75
6	226.93	331	14	0	154
7	269.66	382	13	0	236
8	313.94	436	12	0	313
9	359.85	485	11	0	388
10	407.45	538	10	0	459
11	456.84	587	9	0	524
12	508.08	636	8	0	586
13	561.28	684	7	0	646
14	616.55	731	6	0	703
15	674.00	777	5	0	758
16	733.77	823	4	0	811
17	796.05	868	3	0	861
18	861.01	913	2	0	909
19	928.91	957	1	0	956
20	1000.00				

Note: Cash surrender values here given are the full accumulated reserve for the years specified.

Where the cash surrender values given for this form of policy are less than those given above, the difference represents the fee charged for cancelation or surrender. Some companies do not charge a surrender fee.

A full explanation of the conditions, privileges and restrictions for this policy will be found in Chapter XIV.

150. Analysis.

Policy number 3 for $1,000 as shown above is written to cover twenty years of insurance and mature an endowment of $1,000, to be paid for in twenty years. The first five premiums pay for twenty years of insurance and $75, together with any so-called "dividends" in excess if insured lives.

The average necessary rate at a fixed yearly premium at age thirty-five for $1,000 Temporary Standard Death Claim is $15.27, therefore $35.36 of each premium is an overcharge made to create the endowment fund and all payments made to date of demise will be lost to the estate if the insured dies within the twenty years, except that part returned as so-called "dividends."

Should the death of the insured occur at any time within twenty years from its issue date the policy provides for the payment of $1,000 exclusive of "dividends." There is no provision made for the payment of any insurance benefits after twenty years as the policy expires at that time.

By the payment of the overcharge contained in the premium, required to create the endowment fund, the insured reduces the actual insurance to nothing at the end of the twentieth year as the endowment fund of $1,000 equals the death claim at that time. The premiums paid and their interest worth are sufficient to carry the insurance and mature the endowment in twenty years, including any possible "dividends." The overcharge in premiums enables the company to give increased surrender values.

As the cash value or self-insurance fund INCREASES the actual insurance DECREASES, and the cost to the insured INCREASES. The CASH VALUE is NOT insurance.

151. Illustration of Account to End of the Fifth Year.

By the payment of the overcharge contained in the

premiums, required to create the endowment fund, the insured reduces the actual insurance contained in the death claim to $814.29 at the end of the fifth year. The five premiums paid and their interest worth are sufficient to carry the insurance and mature an endowment of $75 in twenty years, including any possible "dividends."

If the insured is alive and all premiums have been paid in cash to the end of the fifth year and there has been no loan secured thereon, the policy guarantees $185.71 in cash with "dividends," if any, for surrender. Or in lieu of the $185.71 cash to become "paid-up" for $278, exclusive of any "dividends" and payable at the end of the original endowment period or at previous death. Or to continue the $1,000 death claim for the next fifteen years without further premium payments and if the insured is then alive to pay $75 in cash the twentieth year, or at the time the original endowment would have been payable.

Itemized Statement.

Death Claim, exclusive of "dividends".....	$1,000.00
Cash value, exclusive of "dividends".....	185.71
Actual insurance, exclusive of "dividends"..	$ 814.29
Annual premium including "dividends".....	50.63
Interest worth of cash value at five per cent.	9.28
Total yearly cost, including dividends....	$ 59.91

152. Illustration of Account to End of the Tenth Year.

By the payment of the overcharge contained in the premium, required to create the endowment fund, the insured reduces the actual insurance contained in the death claim to $592.55 at the end of the tenth year. The ten premiums paid and their interest worth are sufficient to carry the insurance and mature an endowment of $459 in twenty years, including any possible "dividends."

If the insured is alive and all premiums have been paid in cash to the end of the tenth year and there has been no loans secured thereon, the policy guarantees $407.45 in cash with "dividends," if any, for surrender. Or in lieu of the $407.45 cash to become "paid-up" for $538, exclusive of any "dividends" and payable at the end of the original endowment period or at previous death. Or to continue the $1,000 death claim for the next ten years without further premium payments and if the insured is then alive to pay $459 in cash the twentieth year, or at the time the original endowment would have been payable.

Itemized Statement.

Death claim, exclusive of "dividends".....	$1,000.00
Cash value, exclusive of "dividends".....	407.45
Actual insurance, exclusive of "dividends"..	$ 592.55
Annual premium, including "dividends"....	50.63
Interest worth of cash value at five per cent.	20.37
Total yearly cost, including "dividends"..	$ 71.00

153. Illustration of Account to End of the Fifteenth Year.

By the payment of the overcharge contained in the premium, required to create the endowment fund, the insured reduces the actual insurance contained in the death claim to $326 at the end of the fifteenth year. The fifteen premiums paid and their interest worth are sufficient to carry the insurance and mature an endowment of $758 in twenty years, including any possible "dividends."

If the insured is alive and all premiums have been paid in cash to the end of the fifteenth year and there has been no loans secured thereon, the policy guarantees $674 in cash with "dividends," if any, for surrender. Or in lieu of the $674 cash to become "paid-up" for $777 exclusive of any "dividends" and pay-

able at the end of the original endowment period or at previous death. Or to continue the $1,000 death claim for the next five years without further premium payments and if the insured is then alive to pay $758 in cash the twentieth year, or at the time the original endowment would have been payable.

Itemized Statement.

Death claim, exclusive of "dividends".....	$1,000.00
Cash value, exclusive of "dividends".....	674.00
Actual insurance, exclusive of "dividends"..	$ 326.00
Annual premium, including "dividends"....	50.63
Interest worth of cash value at five per cent.	33.70
Total yearly cost, including "dividends"..	$ 84.33

154. Overcharges Reduce the Death Claim.

By the payment of the overcharge of $35.36 required to create the endowment or self-insurance fund and pay for the extra "dividends" which would be paid on the endowment policy in excess of those that would have been paid upon the term policy, the insured has reduced the actual insurance contained in the death claim to $814.29 the fifth year. The insured has accumulated a cash surrender value or self-insurance fund the fifth year of $185.71. The interest worth of this cash, together with the annual premium required, equals $59.91, which represents the full cost to the insured of the actual insurance the fifth year should his death occur. As this cash value or self-insurance fund increases each year the actual insurance decreases correspondingly and the cost increases each year in proportion to the sum of the increasing and decreasing amounts.

155. One Year Term Used as Basis for Calculating cost.

The one year term policy is the basis of calculation for all forms of "endowment insurance." By refer-

ring to the Table, Article 329, we find that the net cost for $1,000 of insurance at age 40, the attained age of the insured, is $9.51. As there is only $814.29 of actual insurance remaining in the death claim the fifth year, the actual cost to the company for carrying this liability is only $7.74. The net annual premium or the amount the company must receive to pay the mortality cost and create the reserve or endowment fund required is $41.97, deducting the mortality cost of $7.74, leaves a balance of $34.23 to be added to the reserve or endowment fund, therefore the insured not only jeopardizes to loss by death the reserve fund of $185.71 the sixth year, but in addition thereto $34.23 of the current year's premium and any "dividends" he might receive. The difference between the net premium and the gross premium charged of $8.66 is the amount the company has to use to pay managing expenses and to pay "dividends."

156. Illustration.

The insured could have purchased from the same company a $1,000 death claim with the same insurance provisions for the average term premium of $15.27. Had he invested the difference in premiums of $35.36 yearly at five per cent., he would have had at the end of the twentieth year $1,227.69 and this saving would not have been jeopardized to loss by death in the meantime. Had death occurred the twentieth year the insured would have left an insurance estate of $1,000 plus the savings of $1,227.69 or a total estate of $2,227.69, under this plan instead of $1,000 under the endowment policy. Any "dividends" the insured might have received on the endowment policy in excess of those received on the term policy would not purchase a sufficient amount of "paid-up" insurance yearly to leave an equal estate to the one created by the term policy and the savings.

Had the insured become financially embarrassed the

fifteenth year, and it would have become necessary for him to have secured from the company the amount of his accumulated cash of $674, he would not only have been required to pay the company at least five per cent. for the use of his own money, but the amount he so secured would have been deducted from the death claim, the beneficiary only receiving $326 in case of death, where under the term policy, keeping his savings and their interest worth the same as they would have been kept had he paid them to the insurance company, he would have had available cash to the amount of $801.25 instead of $674, and had death occurred in the next five years the beneficiary would have received the full $1,000 death claim.

157. Illustration Where Policies Are Written on Deferred Dividend Plan.

Where the endowment policies are issued on the deferred dividend plan, the payment of the dividends being deferred to the end of the endowment period, it is not always advisable to surrender the policy for its cash value more especially where it has been in force for many years. Should the policy be surrendered the deferred dividend accumulations would be lost to the insured and the loss of the deferred dividends upon surrender after the tenth year would be greater than the loss sustained by paying the balance of the premiums.

Instead of paying any further premiums upon the policy the insured should borrow from the company each year the amount of the premium. The premium so retained would be equivalent to receiving the accrued dividends by instalments and the retaining of the premiums would not reduce the amount of the dividends to be paid in the future nor in the death claim in case of death, as the policy provides that any accrued dividends will be paid to the beneficiary in addition to the death claim and the dividends will be paid

in addition to the cash value of the policy should it be surrendered, and all premiums so retained would not be lost to the insured's estate should death occur. The interest worth of the premiums so retained would offset the interest charged by the company.

158. Where Deferred Dividends Are Paid Quinquennially.

Where the deferred dividends are payable on the fifth, tenth and fifteenth anniversary of the policy, it would not be advisable to surrender the policy for its cash value one or two years prior to the dividend paying period, but the premiums should be paid until they are apportioned and returned to the insured and then it can be surrendered without the loss of the deferred dividends.

159. Accrued Dividends.

Where the endowment policy written on the deferred dividend plan is exchanged any year for term insurance, as provided in the policy, the accrued dividends to date of such exchange will not be lost, as any accrued dividends will be paid to the insured at the time the original endowment would have been payable or at the time the term insurance expires or at the time the death claim would be payable.

160. Premium Payments Should Cease After Fifth Year Where Insured's Health Is Impaired.

Should the insured meet with some accident or have a severe illness where death was sure to occur within the extended insurance period contained in the endowment policy, the insured should not pay any additional premiums because the payment of any additional premiums would not increase the amount of the original death claim nor extend the term insurance beyond the end of the endowment period and all premiums paid to date of demise would be lost to the estate.

Any premiums so retained plus their interest worth together with the pure endowment payable at the time the original endowment would have been payable will exceed the guaranteed cash value of the endowment at the end of the twentieth year.

161. Illustration.

For example, suppose the insured should cease paying premiums after the fifth year. The fifteen remaining premiums of $50.63 improved at five per cent. interest would amount to $1,147.27. The five premiums already paid will pay for the $1,000 death claim for the next fifteen years and $75 in excess should the insured live. The $1,147.27 (fifteen payments and their interest worth) plus the endowment of $75 equals $1,222.27, or $222.27 in excess of the guaranteed endowment at the end of the twentieth year. The accrued dividends for the first five years of the policy will be paid in addition to and at the same time the $75 endowment would be payable. Any "dividends" the insured might receive during the remaining fifteen years would not equal the excess cash of $222.27.

The insured must not lose sight of the fact that should death occur any time during the fifteen years he will leave an insurance estate of $1,000 and in addition thereto all of the retained premiums and their interest worth to date of demise.

Let us suppose the insured should cease paying premiums after the tenth year. The ten remaining premiums and their interest worth at five per cent. would amount to $668.82 at the end of the tenth year or at the time the original endowment would have been payable. The ten remaining premiums already paid will pay for the next ten years insurance and in addition thereto an endowment of $459; $668.82 plus the endowment of $459 would equal $1,127.82 or an excess cash of $127.82. The "dividends" the insured might receive for the ten remaining years would not equal

$127.82. The accrued dividends for the first ten years of the policy will be paid in addition to and at the same time the endowment of $459 would be payable, and should death occur during the last ten years, the insured would leave an insurance estate of $1,000, together with the retained premiums and their interest worth to date of demise. The results will be in proportion to the above any year the insured may cease paying premiums from the fifth to the twentieth year.

The "paid-up" insurance values contained in the above table will be paid to the beneficiary should the death of the insured occur during the original endowment period of twenty years and should the insured live to the end of the original endowment period the amount of the "paid-up insurance" will be paid in cash the same as the original endowment would be paid. For example, should the insured cease paying premiums after the tenth year and take advantage of the "paid-up insurance privilege" should his death occur in the next ten years, the company will pay $538 to the beneficiary and should the insured live to the end of the remaining ten years the insured will receive $538 in cash.

162. The Insured Has the Privilege of Renewing the Policy.

The insured should ever bear in mind that all life insurance policies are written for one year, and the premium charged is calculated on a basis whereby the company will permit the insured to renew the same at the same premium rate for a specified number of years or for the whole of life with provisions in the policy, setting forth the amount of money the company will return upon its surrender any year the insured desires to surrender the same where the premiums paid were in excess of the actual cost of the insurance.

The insured assumes no moral obligation at the time

the policy is purchased to pay for all of the years the policy is written to cover, therefore the insured has just as much right to surrender the policy any year as he has to continue paying premiums. The only point to be taken into consideration by the insured where a policy is to be surrendered is, whether it is best or not for his financial interest.

163. Companies Advise the Insured Not to Surrender Policy.

It is a very common occurrence for the different insurance companies to advise their policy-holders, by personal letter, not to surrender their policies. That to surrender the policy in any manner would entail a heavy loss to the insured. These letters also contain specific instructions for the insured NOT to accept the advice of any person other than the company regarding their life insurance policies, and that the interests of the company and the policy-holder are mutual, and that any time the insured desires any information regarding his life insurance policies, the company should be the only one consulted. That the company is always looking after the best interests of its policy-holders; and just as long as the policy-holders persist in following these instructions from the company, just so long will heavy losses occur.

164. Do Companies Always Deal Fairly?

If it is true that the insurance companies never take advantage of their policy-holders in any way, why is it necessary to pass stringent state laws to protect the interests of the policy-holders against rank abuses perpetrated upon them by the life insurance companies?

165. Policy Should at All Times Meet the Needs of the Insured.

The insured may be carrying a policy which would render him the best service at the time the policy was purchased, but on account of a complete change in the

insured's condition in after years the policy would be rendered practically worthless. Would the insured consider it prudent to still continue paying premiums on a policy if it did not serve his needs, just because he had paid a few years' premiums? It is to meet these obstacles that the policy contains conditions under which the form may be changed or surrendered, and no doubt that was one of the arguments set forth by the agent at the time the policy was purchased to induce the insured to purchase the same. There are many of the high-priced forms of "investment policies" which are being changed to the lower-priced term insurance or surrendered for their cash on the plans provided in the policy.

166. Policies May Be Exchanged Without Loss to the Insured.

Should the insured desire to cease renewing this most objectionable form of policy at any time after the third year as provided in the terms of the policy the above illustrations for the fifth, tenth and fifteenth year will show the results to be obtained where the surrender is made at the years specified. The following detailed explanation will be given where the policy is surrendered the fifth year and will not only clearly show that this may be done without loss to the insured, but will result in a very satisfactory saving for the next fifteen years, whether in good health or not. These explanations and illustrations will also apply to the results where the policy is surrendered in later years.

167. Illustration.

If in good health insured should purchase new insurance equal to the actual insurance contained in the present death claim ($814.29) upon the whole life continuous premium plan for the average non-participating rate of $21.32 for age 40, the attained age of the

insured, and surrender the present policy for its cash surrender value of $185.71, less any surrender fee. As some companies do not charge a surrender fee, this illustration will be based upon the assumption that the insured will be able to secure from the company the full amount of the accumulated reserve or self-insurance fund. The interest worth of the cash value ($185.71) of $9.28 will reduce the new premium to $12.04. The difference between the new premium of $12.04 and the original premium of $50.63 will give a saving of $38.59 in premiums, less any possible "dividends." Save $38.59 for the next fifteen years.

The savings of $38.59 yearly and their interest worth at five per cent. will amount to $874.44 at the end of fifteen years. Should the insured wish to surrender the new insurance at the end of the fifteen years, or at the end of the original endowment period, it will have a cash value of $215.47. This amount plus the cash value of the present policy of $185.71, together with the savings of $874.44, will equal $1,275.62 at the time the endowment of $1,000 under the present policy would be payable. Should the death of the insured occur at any time after the fifth year, the estate left to the beneficiary would be insurance $814.29 plus the cash value of present policy of $185.71 plus the savings of $38.59 and their interest worth each year to date of demise. Any "dividends" the insured might receive under the present policy after the fifth year would not be sufficient to purchase $38.59 of "paid-up insurance" each year, which would be required to leave an equal estate in case of death in the fifteen years, and any "dividends" which might be realized from the present policy from the fifth to the twentieth year would certainly not equal the difference in the cash surrender value of $275.62.

168. When New Insurance Should Be Purchased.

Where the endowment policy is to be surrendered for its cash value and new insurance is to be pur-

chased to cover the actual insurance remaining in the policy any year in order to leave an equal estate should death occur, the new insurance should be purchased before the present policy is surrendered. It is always best to purchase even hundreds of insurance. Odd amounts used here for comparison only. In this case $800 new insurance should be purchased.

169. Plan for Reformation Where Insured Is in Poor Health.

Should the insured be in poor health and be unable to pass a satisfactory medical examination at the end of the fifth year and be unable to secure new insurance at the time the policy was to be surrendered, he should take advantage of the provision contained in the policy which provides that the same may be exchanged any year after the third for a term policy for the full amount of the original death claim to cover as many years as the accumulated reserve will purchase at the attained age of the insured, the new term insurance to expire at the time the original endowment policy would have expired. Should the accumulated reserve or self-insurance fund be in excess of the amount required to carry the new term policy to the end of the original endowment period, the company will pay to the insured in cash the amount of the excess at the time the original endowment would have been payable.

Where an endowment policy is exchanged for insurance on the term insurance plan, as provided in the policy, upon the death of the insured the amount of the annual premium is deducted from the death claim should death occur during the first, second or third year by some companies, but the premiums retained by the insured will offset any possible deduction made by the company. Competition is forcing this plan out of practice as there are few companies who adopt this plan.

By referring to the table of cash surrender values of this policy we find that the five premiums paid are sufficient to pay for the five years already lived and in addition thereto fifteen years of term insurance and $75 in excess, which will be returned to the insured at the end of the original endowment period, if he lives. The fifteen remaining premiums and their interest worth will amount to $1,147.27 at five per cent. This amount, together with the endowment of $75, will equal $1,222.27. Should death occur the sixth year the insured would leave an insurance estate of $1,000 plus the premium saved of $50.63, or a total of $1,050.63. Should death occur the twentieth year an insurance estate of $1,000 will be left plus the savings of $1,147.27, or a grand total of $2,147.27, as against $1,000 under the present plan, or an average estate of $1,598.95 for the fifteen years. Any "dividends" the insured might receive under the endowment policy would not buy an average of $598.95 insurance for fifteen years.

By accepting this plan of reformation the insured would have $1,222.27 cash under the new plan, instead of $1,000 under the endowment policy, or an excess of $222.27. Any "dividends" the insured might receive in the remaining fifteen years of the endowment policy would certainly not equal $222.27. By referring to the table of cash surrender values under this policy, it will be found that any premiums paid the company after the fifth year does not increase the original death claim nor extend the number of years the policy was written to cover.

The first five premiums pay for all of the insurance contained in the death claim for the twenty years, also the managing expenses and "dividends" paid for the five years and $75 in excess if insured lives. The remaining fifteen premiums are paid to create the endowment fund of $1,000, the insured's share of managing expenses and any "dividends" he may receive for the remaining fifteen years.

170. Endowment One of Most Objectionable Forms of Insurance.

"Endowment insurance" is one of the most objectionable forms of temporary insurance. Under an endowment contract the insured cannot receive the benefits for which he is paying. He is paying for insurance to be paid to his estate or beneficiary if he dies, and he is paying for an endowment or sum of money to be paid to himself if he lives. In order for the beneficiary to receive the insurance he must be dead. In order to receive the endowment he must be alive, and he CANNOT be dead and alive at the same time. If he is going to die there is no use paying for the endowment he cannot receive, and if he is going to live he does not need the insurance.

Life insurance is one thing and savings or investment is another, and the two items cannot be combined under the same contract without detriment to one or the other or both of them. Life insurance should be carried for protection only. There is no investment in life insurance if the insured lives. Insured should not buy life insurance for money to be paid to himself at some future time, he may die and lose it.

Any "dividends" to be paid to the insured in the future under a life insurance policy are only IMAGINARY, but the premiums paid to purchase the same are NOT imaginary.

171. Ten and Fifteen Year Endowment.

The ten and fifteen year endowment forms are practically the same as the twenty year form. Under the ten year endowment the cash value or self-insurance fund of $1,000 will be accumulated at the end of the tenth year. At age 35 the average yearly premium for a $1,000 death claim or endowment on a three per cent. reserve basis is $104.22. This amount paid yearly in advance for ten years will pay the insured's share of mortality expense, create the reserve or self-insurance fund of $1,000, pay the insured's share of

managing expenses and pay for any "dividends" the insured may receive for the ten years the policy is written to cover.

Under the ten year endowment plan the self-insurance fund will equal $1,000 at the end of the tenth year, therefore the endowment of $1,000 is returned to the insured and all dealings with the company under this policy are ended. If the insured desires new insurance he will be required to pass a medical examination to secure the same.

Insured could have purchased a $1,000 death claim which would have paid the insured's beneficiary $1,000 had his death occurred during the ten years the same as under the endowment policy, for the average non-participating rate of $12.35, therefore the insured paid $91.87 yearly for ten years to create the $1,000 endowment, and should death occur any time during the ten years each payment made to date of demise together with its interest worth would have been lost to the insured's estate. Had the insured purchased the $1,000 death claim for $12.35 and invested the $91.87 yearly for ten years at five per cent., he would have had $1,213.60 at the time the $1,000 would have been payable under the endowment policy, and should death occur the tenth year he would have left an insurance estate of $1,000 plus the savings and their interest worth of $1,213.60, or a total of $2,213.60 instead of $1,000 under the endowment plan, or an average excess estate of $652.73 for the ten years.

The same rules and illustrations under the twenty year endowment plan will apply to the ten and fifteen year endowment as they are all founded on the same mathematical basis.

172. "Five Per Cent. Gold Bond."

As the "five per cent. gold bond policy" is founded on the same basis as the endowment policies, this form of policy will be the next to be explained, and should the reader be the proud possessor of one of these

"very valuable five per cent. gold bond policies," the following illustration should provide very interesting reading.

The "five per cent. gold bond policy" is simply a revised issue of the different forms of the endowment policy. While the endowment is a very objectionable form of policy, yet the "five per cent. gold bond" is one step worse and may be considered the most objectionable form of "investment policy" issued by any life insurance company, and if certain states had not passed laws prohibiting the issuance of this most objectionable form of policy it would be hard to estimate to what extent these injustices would have been carried by the life insurance companies.

173. Why Not Prohibit All Adverse Policies?

It may seem queer to the reader that the "five per cent. gold bond" should be prohibited and the endowment form of policy, which is the parent of the "five per cent. gold bond," should be allowed to be issued or that the "five per cent. gold bond" scheme should be permitted to be applied to the limited payment whole life policies, one being as adverse as the other.

174. How Five Per cent. Is Paid.

The "five per cent. gold bond" and the endowment form of policy are practically the same, the only difference is that under the gold bond policy the company guarantees a "dividend" of five per cent., while under the endowment the interest accumulated on the reserve is on a three, three and one-half or four per cent. basis, according to the rate adopted by the company. It may seem queer to the reader how the insurance company operating on a three per cent. interest basis can guarantee to pay five per cent. on its holdings. It does NOT pay five per cent. The fact that it does is simply another illustration of the "high

finance'' schemes adopted by the life insurance companies.

As the ''five per cent. gold bond policy'' is most generally issued on the twenty year plan, this illustration will be based on the twenty year basis.

175. Illustration.

The ''gold bond'' of $1,000 paying a ''dividend'' of five per cent. for twenty years is delivered to the insured at the end of twenty years should he be living, or delivered to the beneficiary should the death of the insured occur in the meantime. In order for the company to pay a ''dividend'' of five per cent. on a ''$1,000 gold bond,'' the insured is required to purchase $1,300 of insurance on the endowment plan.

Upon the death of the insured the $1,300 insurance is held or retained by the company and a $1,000 bond is issued to the beneficiary bearing five per cent. interest for twenty years. The company can pay three per cent. on the $1,000 held as payment for the bond, and the remaining $300 of the death claim and its interest increments are held by the company to pay the extra two per cent. for the twenty years. Is the beneficiary really receiving a legitmate ''five per cent. dividend'' on the $1,000 gold bond''? Most assuredly not. The ''five per cent. gold bond policy'' is simply a plan adopted by the company of paying to the beneficiary the $1,300 death claim purchased by the insured on the endowment plan. Instead of paying the $1,300 death claim in one sum, the beneficiary receives $50 a year for twenty years, which consumes $300 of the death claim and the interest on $1,000 at three per cent., and at that time the $1,000 in cash is delivered to the beneficiary, providing the beneficiary is still living.

Should the insured live and pay premiums for twenty years on the ''five per cent. gold bond policy'' which are thirty per cent. more than would be required on a $1,000 endowment policy for the twenty

years, instead of the company delivering to the insured $1,300 in cash, all of which he has paid for, the company retains the $1,300, gives the insured a piece of paper upon which has been printed "FIVE PER CENT. GOLD BOND," pays the insured $50 a year for twenty years for the use of the $1,000 which it received in payment for the beautifully engraved piece of paper. The $300 and its interest increments, together with the three per cent. interest on the $1,000, being the equivalent of $50 payable yearly for twenty years.

Is it any wonder that the issuance of the "five per cent. gold bond" should be prohibited by law? Should not the issuance of the endowment and the twenty payment whole life gold bond policy be prohibited also? They probably will be some time in the future, but not until millions of dollars will have been lost to the policy-holders and the beneficiaries thereunder.

176. Vast Sums Lost by Policy-Holders.

There has been millions of dollars paid to the life insurance companies by purchasers of the "five per cent. gold bond policies," and there are thousands of these policies being carried today, the holders of the same being led to believe that "they had something exceptionally good and that they should not be surrendered under any consideration, that it would be impossible to secure from the company another 'gold bond policy' which would afford such exceptional dividend returns." The owner of the "five per cent. gold bond" not knowing that the reason the same could not be purchased was because the issuance of the "gold bond policy" is prohibited by law.

177. Illustration.

The following illustration should clearly show to the insured what he really secured when he purchased the much coveted "five per cent. gold bond."

Let us suppose that "A" at age 35 purchased a

"twenty year five per cent. gold bond" for $1,000 from an insurance company operating on the three per cent. basis for the average annual premium of $63.50. The "five per cent. gold bond" policy is issued on the temporary twenty year term plan. "A" could purchase a $1,000 death claim at age 35 on the temporary term plan for the average premium of $14.25, therefore $49.25 of each premium was paid to create the $1,000 for the bond and the extra money required to pay the five per cent. interest the company has guaranteed to pay, which is two per cent. in excess of the amount it would be permitted to guarantee under any other plan. As the life insurance company has placed the value of money at five per cent. by guaranteeing to pay this amount upon its bond, the money value of five per cent. will be used in this illustration. If money was only worth three or four per cent. in the markets, it is fair to presume that the insurance company would not offer to pay five per cent. in order to compete with legitimate investments. The fact that the life insurance company "never fails" would be ample inducement to overcome the competition offered by our banks and trust companies.

The difference in premiums on the two contracts of $49.25 yearly improved at five per cent. in twenty years would amount to $1,709.96. Of course, the term policy for $1,000 which "A" purchased for $14.25 yearly would have no surrender value at the end of the twenty years, so the only available cash he would have at the end of twenty years would be the savings and their interest worth of $1,709.96. Had he invested the savings in premiums in legitimate bonds paying five per cent., the $1,709.96 worth of bonds would yield a yearly income of $85.49 instead of $50 under the "five per cent. gold bond," so the insured might consider that he would be paying $35.49 yearly in order to secure a safe "investment"; and the insured would be receiving the $85.49 for life instead of $50 for the limited number of twenty years.

178. Reason for Purchasing "Five Per Cent. Gold Bond."

Perhaps the only reason that "A" could be induced to purchase a "$1,000 five per cent. gold bond" would be to save the beneficiary the trouble of having to go to a bank and purchase legitimate five per cent. bonds with the death claim, so in order to save the beneficiary the trouble of having to invest the $1,000 death claim under the new and sane plan, he would be required to deposit the insurance policy with some reliable bank or trust company with instructions to purchase legitimate bonds, paying five per cent. with the proceeds of the insurance policy, which would be paid to the bank or trust company by the insurance company upon the death of the insured and deliver the bonds so purchased to the beneficiary.

The $1,000 in bonds purchased with the death claim received from the insurance company and the $1,709.96 of bonds purchased by the savings and their interest worth would give a total estate of $2,709.96, paying a yearly dividend of $135.49 instead of a $1,000 estate paying five per cent.. under the "gold brick plan," should "A's" death occur the twentieth year. Should his death occur the first year he would leave a $1,000 estate in legitimate bonds purchased by the bank or trust company paying five per cent. and the savings in premiums of $49.25, or a total of $1,049.25 instead of $1,000 under the "gold bond plan," or an average excess estate of $879.60 for the whole twenty years.

The five per cent. gold bond schemes are now being applied to the twenty payment life policies as a means of paying the death claim. The five per cent. gold bond system is one of the greatest injustices ever perpetrated upon the insuring public and will be fully explained under the "twenty payment life policy."

The permanent whole life form of insurance will be next explained.

CHAPTER VIII

WHOLE LIFE CONTINUOUS PREMIUM POLICY

Policy No. 4. **Premium $27.21.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent. Interest.

Blank Life Insurance Company, in consideration of the application for this policy, a copy of which is hereto attached and made a part hereof, and of the payment in advance of twenty-seven and 21/100 dollars, being the premium to provide term insurance for one year from January 2, 1913, to January 2, 1914, and in further consideration of a like payment on said last mentioned date, and thereafter on the second day of January in each and every year during the continuance of this policy, until the death of the insured, promises to pay at the home office of the company, upon receipt of due proof of the death of John Doe, herein called the insured, one thousand dollars, less any indebtedness hereon to the company and any unpaid portion of the premium for the then current policy year, to Mary Doe (his wife), beneficiary, with right of revocation.

The contents of the succeeding pages of this policy and the benefits, conditions and values set forth therein are made a part hereof.

Signed **Signed**

Table of Loan and Surrender Values.

Years.	Cash or Loan Value	Paid-up Policy	Extended (Years)	Insurance (Days)
3	$ 39.76	$ 90	4	183
4	53.77	119	6	7
5	68.16	148	7	182
6	82.94	177	8	326
7	98.11	206	10	57
8	113.68	234	11	100
9	129.65	262	12	87
10	146.01	289	13	21
11	162.76	316	13	269
12	179.87	343	14	108
13	197.35	369	14	271
14	215.16	395	15	33
15	233.28	420	15	128
16	251.68	445	15	196
17	270.34	469	15	239
18	289.22	492	15	259
19	308.32	515	15	261
20	327.58	537	15	245

Note:

The full reserve or cash surrender values are shown in the above table. Where the cash surrender values given in any policy issued on the three per cent. basis are less than the values here shown the difference in the cash surrender values represents the fee charged by the company for surrender. The full reserve values for the different ages and also for the years the policy has been in force will be found in Article 332.

A full explanation of the conditions, privileges and restrictions will be found in Chapter XIV.

179. Analysis.

Policy number 4 for $1,000 as shown above is written to cover sixty-one years of insurance (the insurance years from age 35 to age 96, which is the pos-

sible life-time of the insured) to be paid for in sixty-one years. The sixty-one premiums pay for sixty-one years of insurance and $1,000, together with any so-called "dividends" in excess if insured lives, as the policy matures as an endowment for its face value at age 96. The average necessary rate at a fixed yearly premium at age 35 for a $1,000 Permanent Standard Death Claim is $22.20 where there has been no extra premium charged with which to pay "dividends." Where the premium of $27.21 is charged the insured is required to pay $5.01 excess each year in order to be able to receive "dividends" upon his policy, therefore $5.01 of each premium is an overcharge and all payments made to date of demise will be lost to the estate if the insured dies within the first twenty years where the policy is written on the "twenty year deferred dividend plan."

If the insured dies within the first twenty years the policy provides to pay $1,000 death claim exclusive of "dividends." Death after the twentieth year provides for the payment of $1,000 death claim exclusive of "dividends" providing the premiums are paid to date of demise.

The actual insurance at the end of the twentieth year will be $672.42 and with the $327.58 guaranteed cash value or self-insurance fund will equal the $1,000 death claim.

By the payment of the overcharge of the actual yearly cost contained in the premium to create the cash value or self-insurance fund required, the insured reduces the actual insurance contained in this policy to $672.42 at the end of the twentieth year. The premiums paid and their interest worth are sufficient to carry the insurance and create a self-insurance fund of $1,000 at age 96, as all whole life policies mature as an endowment equal to the original death claim at this time, including any "dividends." The

overcharge in premiums enables the company to give increased surrender values.

As the cash value or self-insurance fund INCREASES the actual insurance DECREASES and the cost to the insured INCREASES. The CASH VALUE is NOT insurance.

If insured is alive and all premiums been paid in cash to the end of the twentieth year and there has been no loan secured thereon, the policy guarantees $327.58 in cash with "dividends," if any, for surrender. Or in lieu of the $327.58 cash to become "paid-up" for $537 exclusive of any "dividends" and payable after death. Or to continue the $1,000 death claim as a term policy for the next fifteen years and 245 days without further payment of premium, and if the insured is then alive to pay nothing as the term policy will expire at that time.

180. Permanent Insurance.

Permanent insurance is written to cover all of the years the insured may possibly live. As all persons do not live to the same age, it is necessary for the company to establish an age limit upon which to base the premiums to be charged.

The American Table of Mortality places this limit at age 96, and where a policy is written to cover all of the possible years the insured may live, it is called a "whole life policy."

The premiums upon a whole life policy may be payable in one single payment or in a specified number of years as ten, fifteen, twenty or twenty-five, or they may be payable each year as long as the insured lives until age 96, at which time the cash value or self-insurance fund equals $1,000 for each $1,000 of death claim and is then payable as an endowment. The whole life continuous premium policy is also called "ordinary life" or "straight life."

181. Premium Basis.

Where the insured purchases a policy under the terms of which the company must some time pay to the beneficiary the amount of the death claim, providing the policy is in full force, the premiums are based on the number of years from the age of the insured at the time the policy is purchased to age 96.

182. Illustration.

For example, where the insured at age 21 purchases a whole life policy, the premiums are calculated on a basis of seventy-five insurance years and we say "the policy is written to cover seventy-five years." Where the insured purchases a policy at age 35 it is written to cover sixty-one years of insurance and the premiums are calculated accordingly; and where the policy is purchased at age 50, it is written to cover forty-six years, etc. At whatever year the policy is purchased the insured must pay to the company sufficient money during the insurance years, improved at the rate of interest the company has adopted, to pay his share of mortality and managing expenses, and in addition thereto enough money, plus its interest worth, to create the self-insurance fund which will equal the face of the policy should the insured live to age 96, and where the insured is to receive "dividends" upon his policy it will be necessary to pay additional money to be returned as "dividends."

183. Level Premium Basis.

As the mortality expense of the company increases each year as the policy-holders grow older, in order that the insured may pay an equal amount each year, it will be necessary to pay to the company during the early years of the policy more money than will be required to meet the actual mortality expense during the early years, and this excess money so paid must be retained by the company to create a self-insurance fund

sufficient to offset the increasing mortality expense for later years.

184. Net Premiums Required Plus "Dividend" Contributions.

Where the policy is purchased at age 21 on the three per cent. basis, the company calculates that it must receive a net premium of $14.72 yearly from the insured to pay the current mortality expense and create the self-insurance fund of $1,000 for each $1,000 death claim for the seventy-five years the policy is written to cover and the company must also have a small contribution each year from the insured to pay managing expenses, and where the policy-holder is to receive "dividends" upon his policy he must also contribute to the company additional money to be returned to him at some future time as "dividends." The amount contributed on an average at age 21 to meet these two items is $4.38, making a gross premium on the average of about $19.10.

Where the policy is purchased at age 41 the policy will be written to cover fifty-five insurance years and as the insured would only have fifty-five yearly payments to make instead of seventy-five, he would be required to pay in more money each year. A yearly net premium of $25.62 is required for age 41 for each $1,000 of death claim on the three per cent. basis., to pay the mortality expense and create the $1,000 self-insurance fund at age 96, and the insured at age 41 must also contribute his share of managing expenses and for "dividends," if he is to receive them, and as he is required to pay more money to the company yearly than the policy-holder at age 21, he will expect more "dividends"; so the company at once proceeds to collect the extra amount from him. The average expense and "dividend" loading for age 41 is $7.38, making an average gross premium of $33.

Where the policy is purchased at age 61 the policy

will only be written to cover thirty-five years, and the insured will only be required to make thirty-five payments of $78.80 on the average, to pay mortality, managing and "dividend" expense and create the $1,000 self-insurance fund at age 96. It will be noticed that the loading for "dividends" is very large for age 61, so the insured may expect large "dividends."

185. Dividend Element of Premium.

The dividend element of the premium is a very important factor to be taken into consideration at the time the policy is purchased in calculating the future cost of the insurance.

The non-participating companies eliminate the extra charge for "dividends" or participation from the premium, and all the benefits the insured is to receive are guaranteed amounts. Any amount the insured is to receive as "dividends" upon his life insurance policy are only "estimated" amounts.

If the refund of the overcharge made in the premium for "dividends" or participation equals the amount charged, together with its interest worth, thereby reducing the cost of the participating insurance below that of the non-participating, the participating, insurance should be purchased by all means. The amounts to be returned as "dividends" are too often greatly over-estimated by the agents of the participating companies and the prospective purchaser should never accept as authentic any typewritten or verbal estimates of the "dividends" to be paid by the company. The printed statements of the "dividends" actually paid, furnished and sworn to by the officers of the company, should only be used to estimate any "dividends" to be paid upon the policy in the future.

The "dividends" paid by the participating companies are generally increasing amounts and in order that they may be so paid, the full amount of the over-

charge made in the premium for "dividends" is not returned in the early years of the policy.

186. Dividend Illustration.

For example, let us suppose that "A" at age 35 purchases two $1,000 death claims. He purchases policy number one (1) on the whole life continuous premium plan from a non-participating company on a three and one-half per cent. basis (all the leading non-participating companies are operating on the three and one-half per cent. basis) for the average annual premium of $22.20, and he purchases policy number two (2) on the same plan from a participating company on the three and one-half or three per cent. basis for the average premium of $27.21. The difference in premium of $5.01 represents the amount charged for "dividends" or participation.

As some companies operating on a three and one-half per cent. basis charge more than a company operating on the three per cent. basis for a $1,000 death claim issued on the same form at the same age, the average rate here quoted is the average premium charged by the companies operating on both the three and three and one-half per cent. basis. Practically all of the non-participating companies are operating on the three and one-half per cent. basis, and the extra charge made for managing expenses is very small and generally uniform, while charge made for expenses and "dividends" by the participating companies vary as much as $1.65 at age 21, $2.50 at age 35, and $5.90 at age 55 on the whole life twenty payment policies at the different ages, and it will also be noticed that the companies charging the higher premiums generally pay the largest "dividends."

Where the "dividends" are payable annually and the first "dividend" is only payable at the end of the second year or at the time the third premium is paid, the company retains the $5.01 overcharge made for the

two preceding years or $10.02, together with the interest worth and the first "dividend" paid is generally about $3 and increasing a small amount each year for about fifteen years, at which time the "dividends" will equal the overcharge of $5.01. Therefore the company held in reserve the $10.02 and the difference between the "dividends" actually paid and the charge made for them and their interest worth for fifteen years, with which to pay "dividends" for the following years in excess of the amount charged for "dividends." Should the company return to the policy-holder all of the overcharge made for "dividends" and the interest worth, it CANNOT be considered a "dividend."

Where policy number two (2) is written on the "deferred dividend plan" should death occur the fifteenth year policy number one (1) would only have cost "A" $503.05, while policy number two (2) would cost $616.57 or a difference of $113.52. Should death occur the twentieth year policy number one (1) would have cost $770.78, while police number two (2) would have cost $944.73, or a difference of $173.95.

"Dividends" should always be withdrawn annually in cash and never left with the company to be returned after ten, fifteen or twenty years, or left with the company to purchase "paid-up" additions as any "paid-up" additions are based on the single premium basis and single premium insurance is the most expensive form of permanent life insurance.

187. Cost of Insurance to Insured.

Where permanent insurance is purchased on the whole life continuous premium plan, the actual insurance remaining in each $1,000 death claim each year until age 96 is greater than in any other form of policy written on the permanent insurance plan and the actual insurance is purchased at the smallest cost to the insured.

The lower the annual premiums, made lower by extending the premium paying period over a greater number of years, the more of the insurance element of the death claim will, of necessity, be assumed by the other policy-holders and such lowering of annual premium does NOT reduce the death claim, but does reduce the cash value or self-insurance fund of the policy, which the insured may have the privilege of withdrawing in after years providing he lives. The payment of premiums greatly in excess of the actual cost of the insurance each year, thereby destroying to a great extent the insurance element of the death claim, is very detrimental to the best interests of the policy-holder.

188. Ordinary Life vs. Limited Payment Life.

The public is educated to believe by the insurance companies that where the whole life form of insurance is purchased on the limited payment plan, the insurance can be purchased at a smaller cost to the insured on account of the cessation of premium payments after ten, fifteen or twenty years.

In order to illustrate the fallacy of this claim let us suppose that "A" purchased two $1,000 death claims at age 21 from a company operating on a three per cent basis. The net premiums will be used as a basis for this illustration to avoid any argument regarding the "dividend" element. The insured will be required to pay a small amount in addition to the net premiums quoted here for managing expenses and also an additional amount to pay "dividends," if he is to receive "dividends" upon his policy.

The net premium on "A's" $1,000 death claim purchased on the whole life continuous premium plan is $14.72. The net premium required for the twenty-payment life here used in comparison is $23.48, the difference in these two net premiums being $8.76. Therefore "A" pays $8.76 yearly in excess of the premium

required for permanent insurance for his age, in order to secure a "paid-up" policy at the end of twenty years.

The cash value or self-insurance fund at the end of the twentieth year on the whole life continuous premium policy is $199.17, the actual insurance being reduced to $800.83. The cash value or self-insurance fund on the twenty payment life policy at the end of the twentieth year is $468, the actual insurance remaining in the twenty payment policy at the end of the twentieth year being $532, or $268.83 less than in the whole life policy. Therefore by the payment of the excess premium of $8.76 "A" has paid off $268.83 of his own death claim in excess of the whole life policy. The cost thereafter to "A" for the $532 actual insurance in the $1,000 death claim on the twenty-payment policy will be the interest worth of $468 at five per cent of $23.40. The actual cost of the whole life $1,000 death claim will be the interest worth of the cash value or self-insurance fund ($199.17) of $9.95, plus the net premium of $14.72, or a total of $24.67. Therefore he is paying $23.40 for $532 actual insurance on the twenty-payment policy, while he is only paying $24.67 for $800.83 actual insurance under the whole life policy.

Should "A" live to age 96, the actual cost (cash and its interest worth) of the twenty-payment life policy will exceed the actual cost of the whole life policy (all premiums paid plus their interest worth) $231.92. Were these two policies purchased at age 25 the actual cost would be practically the same at age 96. Were the two policies purchased at age 30, the actual cost would be practically the same at age 80. Were the policies purchased at age 55, the actual cost would be practically the same at age 79.

At the end of twenty years, or when "A" had attained the age of 41, his twenty-payment life policy would become "paid-up," i. e., he would not be re-

quired to pay any more premiums, while under the whole life policy he would be required to pay the annual net premium of $14.72. At this time the actual cost (premiums paid and their interest worth) of his twenty-payment policy would be $815.22, while the whole life policy would only have cost him $511.07.

Let us suppose that "A" lived to age 55 and had kept the difference in premiums of $8.76 plus the interest worth the same as it would have been kept had he paid it to the insurance company, and at that time he wished to surrender both policies. The cash value of his whole life policy at his attained age, 55, would be $412.81, which together with the savings of $8.76 yearly and their interest worth, which is $602.19, would give a total of $1,015.00. Therefore he would have a cash estate of $1,015.00 under the whole life plan as compared with a $1,000 insurance estate under the twenty-payment plan and should he wish to surrender the twenty-payment policy it will have a cash value of $609.92.

Should "A" desire to secure a loan the tenth year the whole life policy would have a loan value of $84.91, which together with the savings in premiums of $8.76 and their interest worth had he kept them, amounting to $115.71, would give him available cash to the amount of $200.62, while the loan value of his twenty-payment policy the tenth year would only be $193.38.

Should "A" secure from the company as a loan the full loan values of the policies the tenth year, the amount of the loan would be deducted from the $1,000 death claim should death occur before the loan is repaid to the company. Under the whole life policy the death claim would be $915.09, while under the twenty-payment policy the death claim would only be $806.62.

Under a $1,000 death claim these values and differences seem very small, but when a $10,000 or $25,000

or a larger policy is taken into consideration the results are very different.

189. Ordinary Life Policy Can Be Exchanged.

The insured should ever remember that a policy purchased on the whole life continuous premium plan can be exchanged any year for any form of a limited payment policy desired and this may be done without a medical re-examination. The insured would only be required to pay to the company in addition to the high premium required for the limited payment policy the difference between the reserve already accumulated on the whole life policy, at his attained age, and the reserve required on the form of policy selected.

Any form of a limited payment policy becomes a single premium policy at the end of the premium paying period. Where a whole life policy is purchased should the insured desire to cease paying premiums any year, he will only be required to pay the company the difference between the reserve already accumulated and the single premium for his attained age, and he will secure a "paid-up" policy.

190. Illustration.

For example, let us suppose that "A" was 35 years old and purchased a $1,000 death claim on the whole life continuous premium plan from a participating company on a three per cent basis for the average premium of $27.21 and after five years or at age 40 desired to cease paying premiums, i. e., purchase a "paid-up policy." He would only be required to pay the company the difference between the reserve already accumulated ($68.16) and the net single premium of $459.42 for the attained age of 40, which is $391.26, and he would be required to pay no further premiums and the company would pay to the beneficiary $1,000 upon the death of the insured. $391.26 might seem a very small amount to be paid to secure

a "paid-up policy" of $1,000, whereby the insured would be required to pay no more premiums, but $391.26 is the commuted worth of all the premiums to be paid to age 96 and by the payment of $391.26, "A" would be paying for his insurance 55 years in advance and should he die the first year that would seem like a pretty heavy premium to pay for a $1,000 death claim. Should he die the fifth year it would still be a pretty heavy premium to pay. His expectancy is only 28 years and this would still be a pretty heavy premium to pay for a $1,000 death claim for 28 years.

If "A" would surrender the whole life policy for its cash value of $68.16 with the $391.26 required for a "paid-up policy" would give him $459.42 in cash. If he would buy bonds with this money paying five per cent interest. instead of giving it to the insurance company, and buy $540.58 new insurance (the amount required to leave an equal estate of $1,000 in case of death) for the non-participating rate of $14.15 for age 40, the interest on the bonds would pay the new premium and leave an income of $8.82 for life. Should "A" purchase the $540.58 new insurance in the participating company and the "dividends" he would receive would be sufficient to reduce the cost of the new insurance to less than that charged by the non-participating company, the income for life would be more than the $8.82.

Or let us suppose that he wanted to change it to a twenty-payment policy, thereby being required to pay fifteen additional premiums. The difference between the reserve already accumulated on the whole life policy the fifteenth year and the reserve required for the twenty-payment policy is $49.36 and the average participating rate for age 40 is $41.32, therefore if the insured would pay to the company the sum of these two amounts $90.68 and the average premium of $41.32 for the next 14 years, less any possible "divi-

dends," at that time he would have a $1,000 death claim "paid-up."

Should "A" carry the whole life policy for twenty years and wish to secure a "paid-up policy" the same as he would have had had he purchased the twenty-payment policy instead of the whole life he could secure a "paid-up policy" by paying to the company the difference in the reserve of $282.34 and he would not be jeopardizing the $282.34 to loss by death in the meantime. At age 35, the average rate for the twenty-payment policy is $37.02. The difference in the premiums of $9.81 is paid to the company to create the extra reserve required on the twenty-payment policy in excess of the reserve required for the whole life policy. Had "A" kept the difference in the premiums of $9.81 yearly and invested the same at five per cent, he would have had $340.60 at the end of twenty years and he could have paid the company the difference in the reserve of $282.34 and had $58.26 left.

191. "Paid-up Policy" Not Paid Up.

One of the principal sources of the losses sustained by a great number of policy-holders is caused through a desire to have their life insurance policies "paid-up," and if the policy-holders could be made to realize that it is impossible to get their insurance "paid-up" the demand for these forms of policies would cease.

As long as there is any insurance left in a death claim the company has a liability or risk to sustain and this must be paid for by the policy-holders in some way.

A full explanation of the different forms of limited payment whole life policies will be found in the following pages. The most objectionable form of permanent life insurance is to be found in the "single premium" plan and this will be the first to be explained.

CHAPTER IX

SINGLE PREMIUM WHOLE LIFE POLICY

Policy No. 5. **Premium $478.16.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent Interest.

Under this form of policy the company agrees to pay $1,000 upon the death of the insured. The policy form is practically the same as the whole life continuous premium form, the only difference being in the manner in which the insured is required to pay the premiums thereon.

For conditions, privileges and restrictions see chapter XIV.

192. Analysis.

This policy is written to cover 61 years of insurance (the insurance years from age 35 to age 96, which is the possible life-time of the insured) to be paid for in one payment. The one premium pays for 61 years of insurance and $1,000 together with any so-called "dividends" in excess, if insured lives, as the policy matures as an endowment for its face value at age 96. The average necessary rate at a fixed yearly premium at age 35 for $1,000 Permanent Standard Death Claim is $22.20, therefore $455.96 of this premium is an overcharge and will be lost to the estate if the insured dies within the first year.

The interest worth of $478.16 at five per cent is in excess of the premium required for a $1,000 death claim issued on the non-participating whole life con-

tinuous premium plan, therefore the entire premium of $478.16 may be considered a total loss to the estate should death occur any time previous to age 96 and as the annual premium of $22.20 required on the whole life continuous premium policy is sufficient to carry the $1,000 death claim to age 96 and mature the same as an endowment for $1,000, at that time the whole premium of $478.16 is a total loss to the estate, except that part returned as so-called "dividends."

By the payment of the $478.16 the insured reduces the actual insurance contained in this policy to $580.12. The premium paid and its interest worth is sufficient to carry the insurance to age 96, including any "dividends" and mature the endowment of $1,000. The cash surrender value at the end of the first year is $427.36, and will increase each year to $1,000 at age 96.

193. Single Premium Insurance.

Under this form of policy the company agrees to pay $1,000 to the beneficiary should death occur at any time within the 61 years, the same as under the whole life continuous premium policy. The actual insurance remaining in the death claim each year, for the 61 years, must be paid for the same as under the whole life continuous premium policy.

Under the whole life continuous premium policy the insured is only required to pay premiums for the years he lives, one at a time, or until such time as he may desire to surrender the policy for its cash value, the yearly premium being sufficient to pay the mortality expense, his portion of the managing expenses and to create the reserve or self-insurance fund required and for "dividends" if he is to receive them. Under the single premium plan the insured is required to pay a premium of $478.16 at the time the policy is issued, which is sufficient to create a self-insurance fund of $419.88, which will reduce the actual insurance con-

tained in the death claim to $580.12, the expense loading on the premium of $58.28, and the interest on the self-insurance fund being sufficient to pay the mortality cost of the actual insurance remaining in the policy and to create a self-insurance fund or cash value of $1,000 at age 96, and in addition thereto the insured's share of managing expenses and for "dividends" for the 61 years.

The net single premium of $419.88 required at age 35 is the equivalent of $21.08, the net annual premium required for the whole life continuous premium policy for the 61 years. Therefore when the insured purchases a whole life policy on the single premium plan he pays the equivalent of all the money required for a $1,000 death claim to age 96, i. e., he pays all of the mortality and managing expenses and a $1,000 endowment due at age 96, and all the "dividends" he is to receive in advance to age 96, without stopping to consider what his chances are for living to receive the $1,000 endowment or the "dividends" or whether he will live and be required to pay his share of the mortality and managing expenses.

194. Another Plan for Single Premium Insurance.

If the insured had plenty of money and did not care to be bothered with paying premiums every year for ten, fifteen or twenty years, or the whole of life, instead of paying to the insurance company the average single premium of $478.16, if he would go to some good reliable bank or trust company and invest the same in first class bonds paying at least five per cent and then purchase a $1,000 death claim from some non-participating life insurance company for the average premium of $22.20 required for age 35, and give the insurance company an order on the bank for the interest on the bonds as the same became payable, under this plan should death occur the first year he would leave an estate of $1,478.16 instead of $1,000, or should

death occur at age 75, he would still leave an estate of $1,478.16 instead of a $1,000 death claim, or should he live to age 96 the insurance company will pay him $1,000, the endowment due on his insurance policy, which together with the bonds of $478.16 will give a cash estate of $1,478.16, instead of $1,000, and he will not have jeopardized the $478.16 to loss by death in the meantime, and in addition to all this he will have $1.70 each year for the 61 years, and should he live to his expectancy age 66, he can surrender the life insurance policy to the life insurance company for $523.87 and with his bonds of $478.16 he would have a cash estate of $1,002.03, which is $2.03 in excess of the insurance estate he would leave should he die before he attained the age of 96, or $2.03 in excess of the endowment of $1,000 HE would receive should he live to age 96. Of course these amounts seem small when calculated on a basis of a $1,000 death claim, but when applied to a $50,000 or a $100,000 death claim they will be decidedly different.

Judging from the amount of single premium life insurance now being carried it would seem that this form of insurance is very popular. Any form of a limited payment life insurance policy becomes single premium insurance for the attained age of the insured at the end of the premium paying period.

195. A "Paid-Up" Policy Is Not.

It is not uncommon to hear policy-holders boast of the fact "that they have a paid-up policy," when as a matter of fact the insurance contained in the death claim is NOT paid-up. While it is true the insured is not required to pay any more premiums on the "paid-up" policy, yet it makes little difference to the insurance company whether it receives the money in cash as a premium from the insured to pay for the actual insurance remaining in the death claim, or whether they receive the money in the form of in-

terest upon the money which the policy-holder has paid to the company to create the self-insurance fund, which it loans and applies the interests therefrom to pay the cost of the actual insurance in the death claim.

If the prospective purchaser knew what he was really doing at the time the single premium insurance was purchased there would be very little of it sold. The fact is that the great majority of those who are paying such high prices for their life insurance do not realize what they are doing, nor why they are doing it.

As the whole life twenty-payment form of single premium insurance is beyond any doubt the most popular form of limited payment whole life policies it will be next explained and the following illustrations and comparisons will undoubtedly be very interesting to a large number of policy-holders.

CHAPTER X

TWENTY-PAYMENT LIFE POLICY

Policy No. 6. **Premium $37.02.**

Age 35. **Participating.** **Death Claim $1,000.**

American Table of Mortality and Three Per Cent Interest.

IN CONSIDERATION of the representations in the application herefor, a copy of which is hereto attached and made a part hereof, and of the premium of thirty-seven and 02/100 dollars to be paid on delivery of this policy and of the payment of a like premium on or before the second day of January in each succeeding year until the premiums for twenty full years shall have been paid, or until the prior death of the insured, the Blank Life Insurance Co., hereby insures the life of John Doe, in the sum of one thousand dollars, and promises to pay said sum at its home office, subject to the conditions and provisions hereinafter recited, upon receipt of due proof of the death of the insured during the continuance of this policy, and on its surrender, to Mary E. Doe, his wife, if living, or to such other beneficiary as may, according to the conditions hereof, be finally designated and recognized by endorsement hereon, or if no such beneficiary be then living, then to the executors or administrators of the said insured; deducting from said sum any indebtedness to the company hereon or secured hereby and any unpaid instalments of premium for the balance of the policy year; subject in all cases to the conditions, benefits and privileges stated on the second or third pages hereof, all of which are made a part

of this contract as fully as if written over the signatures hereto affixed.

Signed Signed

Table of Loan and Surrender Values.

Years	Cash or Loan Value	Paid-up Policy	Extended Insurance (Years)	(Days)
3	$ 68.20	$154	7	334
4	92.46	205	10	212
5	117.52	256	13	14
6	143.40	306	15	75
7	170.14	357	17	28
8	197.77	407	18	246
9	226.31	457	20	16
10	255.78	507	21	81
11	286.24	557	22	93
12	317.68	606	23	64
13	350.16	655	24	8
14	383.70	704	24	307
15	418.33	753	25	249
16	454.11	803	26	220
17	491.07	852	27	247
18	529.31	901	29	9
19	568.89	950	31	25
20	609.92	Policy	Fully Paid	

Note:

The full reserve or cash surrender values are shown in the above table. Where the cash surrender values given in any policy issued on the three per cent basis are less than the values here shown the difference in the cash surrender values represents the fee charged by the company for surrender. The full reserve values for the different ages and also for the years the policy has been in force will be found under article 333.

A full explanation of the conditions, privileges and restrictions will be found in chapter XIV.

196. Analysis.

Policy number 6 as shown above is written to cover 61 years of insurance (the insurance years from age 35 to 96, which is the possible life-time of the insured) to be paid for in twenty years. The twenty premiums pay for 61 years of insurance and $1,000, together with any so-called "dividends" in excess, if insured lives, as the policy matures as an endowment for its face value at age 96. The average necessary rate at a fixed yearly premium at age 35 for $1,000 permanent Standard Death Claim is $22.20, therefore $14.82 of each premium is an overcharge and all payments made to date of demise will be lost to the estate if the insured dies within the first twenty years, except that part returned as so-called "dividends."

If the insured dies within the first twenty years the policy provides to pay $1,000 death claim, exclusive of "dividends." Death after the twentieth year provides for the payment of $1,000 death claim, exclusive of "dividends," provided the insured leaves the guaranteed cash surrender value of the policy $609.92, with the company at the end of the twentieth year; or, a "paid-up" policy of $1,000, payable after death for the $609.92 guaranteed cash value.

The actual insurance at the end of the twentieth year will be $390.08 and with the $609.92 guaranteed cash value or self-insurance fund will equal the $1,000 death claim. The cost thereafter will be the interest worth of $609.92 cash left with the company to pay in advance to age 96, 24 years beyond expectancy, less "dividends," if any, which will be very small after cessation of the payment of overcharge in premiums.

By the payment of the overcharge contained in the premium to create the cash value or self-insurance fund required, the insured reduces the actual insurance contained in the death claim to $390.08 at the end of the premium paying period. The premiums paid and their interest worth are sufficient to carry the insur-

ance to age 96, including any "dividends." The overcharge in premiums enables the company to give increased surrender values.

As the cash value or self-insurance fund INCREASES the actual insurance DECREASES and the cost to the insured INCREASES. The CASH VALUE is NOT insurance.

197. Illustration of Account to End of Sixth Year.

By the payment of the overcharge contained in the premium to create the cash value or self-insurance fund required, the insured reduces the actual insurance contained in this policy to $856.60 at the end of the sixth year.

If insured is alive and all premiums have been paid in cash to the end of the sixth year and there has been no loan secured thereon, the policy guarantees $143.40 in cash with "dividends," if any, for surrender. Or in lieu of the $143.40 cash to become "paid-up" for $306 exclusive of any "dividends" and payable after the death of the insured. Or to continue the $1,000 death claim as a term policy for the next 15 years and 75 days without further payment of premiums and if the insured is then alive to pay nothing as the term policy expires at that time.

Itemized Statement.

Death Claim, Exclusive of "Dividends"....	$1,000.00
Cash Value, Exclusive of "Dividends".....	143.40
Actual Insurance, Exclusive of "Dividends".	$ 856.60
Annual Premium Including "Dividends"....	$ 37.02
Interest Worth of Cash Value at 5%.....	7.17
Total Yearly Cost Including "Dividends"..	$ 44.19

198. Illustration of Account to End of the Tenth Year.

By the payment of the overcharge contained in the

premium to create the cash value or self-insurance fund required, the insured reduces the actual insurance contained in this policy to $744.22 at the end of the tenth year.

If insured is alive and all premiums have been paid in cash to the end of the tenth year and there has been no loan secured thereon, the policy guarantees $255.78 in cash with "dividends," if any, for surrender. Or in lieu of the $255.78 cash to become "paid-up" for $507 exclusive of any "dividends" and payable after the death of the insured. Or to continue the $1,000 death claim as a term policy for the next 21 years and 81 days without further premium payments and if the insured is then alive to pay nothing as the policy expires at that time.

Itemized Statement.

Death claim, exclusive of "dividends".....	$1,000.00
Cash value, exclusive of "dividends".....	255.78
Actual insurance, exclusive of "dividends"..	$ 744.22
Annual premium including "dividends"....	$ 37.02
Interest worth of cash value at 5%.....	12.78
Total yearly cost including "dividends"....	$ 49.80

199. Illustration of Account to End of the Fifteenth Year.

By the payment of the overcharge contained in the premium to create the cash value or self-insurance fund required, the insured reduces the actual insurance contained in this policy to $581.67 at the end of the fifteenth year.

If insured is alive and all premiums have been paid in cash to the end of the fifteenth year and there has been no loan secured thereon, the policy guarantees $418.33 in cash with "dividends," if any, for surrender. Or in lieu of the $418.33 cash to become "paid-up" for $753 exclusive of any "dividends" and pay-

able after the death of the insured. Or to continue the $1,000 death claim as a term policy for the next 25 years and 249 days without further payment of premiums and if the insured is then alive to pay nothing as the term policy expires at that time.

Itemized Statement.

Death claim, exclusive of "dividends".....	$1,000.00
Cash value, exclusive of "dividends".....	418.33
Actual insurance, exclusive of "dividends"..	$ 581.67
Annual premium including "dividends"....	$ 37.02
Interest worth of cash value at 5%.....	20.91
Total yearly cost including "dividends"....	$ 57.93

200. Twenty Payment Life.

The whole life twenty payment policy is one of the many policies written on the permanent insurance plan. The premiums on a permanent whole life policy may be payable in one sum or in ten, fifteen or twenty equal annual payments or yearly as long as the insured may live or to age 96, and it is on account of the company permitting the insured to pay the premiums required on so many different plans that necessitates the issuance of so many different forms of policies on the same plan of insurance.

201. Possible Life-Time, Age 96.

As all persons do not purchase their insurance at the same age and the fact that they do not all die at the same age, it becomes necessary for the company to establish an age limit or a time when all policy-holders are supposed to be dead. The American Table of Mortality places this age at 96, at which age all policy-holders are supposed to be dead as expressed by an insurance term.

202. Level Premium.

In order that the insured may pay an equal premium

each year he must pay enough money in excess of the actual cost during the early years of the policy to offset the increase in mortality expense in the latter years. This excess money paid and its interest worth accumulations which the company must hold to meet the increase in mortality expense in the latter years of the policy, increases yearly to age 96, at which time the accumulated reserve or self-insurance fund equals $1,000 for each $1,000 death claim, regardless of the age of the insured at the time the policy is purchased and regardless of the rate of interest adopted by the company.

203. Premiums and Their Results.

Where a policy is written on the whole life plan the net single premium of $419.88 for age 35 is the mathematical equivalent of the net premium of $21.08, payable for 61 years or the whole of life, or the net premium of $49.73 payable for ten years, or the net premium of $36.34 payable for fifteen years, or the net premium of $29.85 payable for twenty years and vice versa; and where a policy is purchased at age 35 the net single premium of $419.88 payable in advance will reduce the amount the company has at risk in each $1,000 death claim to an amount where the interest at three per cent will be sufficient to pay the mortality expense for the 61 years the policy is written to cover and enough in excess to create a self-insurance fund equal to $1,000 or the face of the policy at age 96. For example, where the insured purchases a $1,000 death claim at age 35 and pays to the company the net premium of $419.88, as before stated, he immediately reduces the actual insurance in the death claim to $580.12, and should death occur during the first year the company (the other policy-holders) will be required to pay $580.12, which with the insured's self-insurance fund of $419.88 will equal the $1,000 death claim.

For the next year (age 36) it will cost the company $8.82 for a $1,000 death claim or $5.11 for $580.12 actual insurance. The $419.88 has earned at three per cent interest the first year, $12.59. The company subtracts the mortality expense of $5.11 for the current year, from the interest earned of $12.59, and adds the excess interest earned of $7.48 to the present reserve fund of $419.88, making a total reserve at the beginning of the second year of $427.36. This same process is carried out for the number of years the policy is written to cover, therefore $419.88 at the beginning at 61 years, improved at three per cent interest, will pay the mortality expense of the company and create a reserve fund of $1,000 at the end of 61 years or at age 96.

The company at the beginning of the year calculates its assumed mortality expense for the year and the amount so calculated is set aside as a mortality fund to pay the current year's death claims and should the company not experience the full estimated mortality expense the balance of the unused mortality fund and the interest increments is put into the surplus fund.

The net premiums required on the continuous premium, ten, fifteen and twenty year forms, will pay the mortality expense for the actual insurance contained in the $1,000 death claim and create a self-insurance fund of $1,000 in the number of years the policy is written to cover.

In addition to these net amounts he must pay his share for managing expenses and if he is to receive "dividends" he must contribute the money to be returned at some future time as "dividends."

204. "Paid-Up" Insurance.

It is the insured's desire to secure a "paid-up policy" that causes the demand for the limited payment forms of policies, and if the insured understood or knew what he was doing at the time the twenty pay-

ment policy was purchased it is an even guess that he would not purchase the same.

The insured would not consider it prudent or a good business deal to pay $609.92 in one premium for a $1,000 "paid-up" death claim at age 55, yet that is exactly what he is doing when he purchases a $1,000 death claim on the whole life twenty payment plan at age 35, from a company operating on a three per cent basis. He is even doing worse than that, because he is paying to the company $8.77 yearly (the difference between the net premium of the whole life policy and the net premium of the twenty payment policy) for which he will receive absolutely no benefit until he has lived twenty years, and he is subjecting the same to loss by death in the meantime.

205. Excess Reserve May Be Also Lost by Death.

When the insured selected the plan of having his "dividends" upon the policy paid annually because he did not want the company to retain the overcharge of $6.92 for "dividends" yearly for twenty years for fear they would be lost to his estate should death occur in the meantime, yet he is allowing the company to retain the overcharge of $8.77 for reserve yearly for twenty years, without considering that these payments may also be lost by death in the meantime.

206. "Deferred Dividends."

Where the above policies are issued on the "deferred dividend" plan, the payment of the "dividends" being deferred to the end of the premium paying period, it is not always advisable to surrender the policy for its cash value, more especially where it has been in force for many years. Should the policy be surrendered the "deferred dividend" accumulations would be lost to the insured and the loss of the "deferred dividends" upon surrender after the tenth year would be greater than the loss sustained by paying the balance of the premiums.

Instead of paying any further premiums upon the policy where it is to be surrendered the insured should borrow from the company each year the amount of the premium. The premium so retained would be equivalent to receiving the "accrued dividends" by instalments and the retaining of the premiums would not reduce the amount of the "dividends" to be paid in the future nor the death claim in case of death, as the policy provides that any "accrued dividends" will be paid to the beneficiary in addition to the death claim and the "dividends" will be paid in addition to the cash value of the policy should it be surrendered, and all premiums so retained would not be lost to the insured's estate should death occur. The interest worth of the premiums so retained would offset the interest charged by the company.

Any "dividends" payable under any form of a life insurance policy should always be withdrawn annually in cash and never left with the company to purchase "paid-up" additions as any "paid-up" additions are calculated on the single premium basis and single premium insurance is the most expensive form of permanent life insurance.

If the insured had purchased the above policy on the whole life continuous premium plan and had invested the difference in premiums of $8.77 yearly for twenty years at five per cent he would have had $304.49, and if he desired to cease paying premiums the twentieth year he could have paid the company $282.34 additional reserve required for the twenty payment life policy to equal the single premium at age 55 of $609.92 and secured a "paid-up" policy and had $22.15 in excess, and should he have died the twentieth year he would have left an estate of $1,304.49 instead of $1,000 under the twenty payment plan.

207. Policy Loans are not Profitable to the Insured.

Loans should never be secured upon a life insurance policy where the insured is in good health ex-

cept where the policy is written on the "deferred dividend" plan and there are certain conditions under which the insured may not be justified in securing a loan on the policy when in poor health.

Where the insured is in good health and in a position to secure a new policy from the company, if the present insurance is secured upon a form which is particularly adapted to the best interests of the insured, where a loan is desired the present policy could be surrendered and a new one secured upon the same form at the attained age of the insured. If the present policy is not adapted to meet the best interests of the insured it could also be surrendered and one secured written upon a form that does. It will not cost the insured any more to carry his insurance under a new policy than it will cost him under an old policy which has been in force for many years.

Where the insured secures money from the company on the sole security of the policy he may rest assured that he is not securing the money that belongs to the company (the other policy-holders). He is simply securing his own money which he has deposited with the company to create the reserve or self-insurance fund which will enable him to pay a level or equal premium each year during the continuance of the policy, or money he has paid to the company in excess of the premiums required for the whole life continuous premium policy in order that he may cease paying premiums after a limited number of years or money which he has deposited with the company under some form of an alleged "investment" which the company will return to the insured at some future time providing he lives.

If the insured desired to secure money from the company which belonged to some of the other policy-holders, the state laws provide that in order that this may be done the insured must give a first mortgage on real estate, most generally farm property, the company

being permitted to loan an amount equal to one-half the appraised value of the real estate. There are also some forms of bonds which the company is permitted by law to accept as security for money loaned.

208. Illustration.

In order to illustrate the disadvantage of securing a loan on a life insurance policy where the insured is in good health and also to show that a life insurance policy may be surrendered and new insurance purchased at an advanced age without loss to the insured let us suppose that "A" purchased a $10,000 life insurance policy at age 35 (any other age will produce proportionate results) on the whole life twenty premium plan from a non-participating company for the average annual premium of $301.

As any "dividends" to be received upon a life insurance policy issued by a participating company can only be estimated amounts the non-participating plan is here used for illustration to avoid explaining the "dividend" results were the policy issued by a participating company, and as all the leading non-participating companies are operating on the three and one-half per cent reserve basis the cash values and the premiums to be paid will be based on the average premuim adopted by the non-participating companies. As most all the non-participating companies charge a surrender fee where the policy is to be surrendered for its cash value or the amount to be loaned on the policy is less than the full reserve accumulated thereon, the following illustration will be based upon the supposition that the insured was able to secure as a loan the full amount of the accumulated reserve or cash value.

"A" would be able to secure $2,600 as a loan on his $10,000 policy at the end of the 11th year or at the time the twelfth premium was payable. As the interest on a loan is payable in advance, he would

be required to pay the premium of $301 plus the interest worth of the loan of $130 or a total of $431. Should death occur at any time before the loan is repaid to the company the amount of the loan ($2,600) would be deducted from the death claim of $10,000, therefore the annual premium of $301 plus the interest worth of $130, which represents the total annual cost of $431, would not be paid for a death claim of $10,000, but only for a death claim of $7,400, and this amount represents the actual insurance contained in the death claim at the end of the eleventh year.

The insured would be able to purchase from the company a new policy of $7,400 at an average annual premium of $294.58 for his attained age of 46, which is $136.42 less than he is paying for the $7,400 insurance under the original plan where the loan was made, therefore he would save $136.42 yearly for the next nine years; $136.42 yearly improved at five per cent interest for nine years would amount to $1,579.74. The cash value of the new insurance at the end of the nine years of $1,952.86, plus the savings and their interest worth for nine years, would give a total cash of $3,532.60 at the end of the ninth year or at the time the present policy would become "paid-up."

The cash value of the original $10,000 policy at the end of the twentieth year would be $5,660, deducting the amount of the loan of $2,600, would leave a cash value of the original policy at the end of the twentieth year of $3,060, which is $472.60 less than the total cash of $3,532.60, to be derived by exchanging the present policy for the new insurance at the advanced age of 46.

If the insured desired a "paid-up" policy of $10,000 under the present policy he would be required to repay the loan of $2,600 at the time the present policy would become "paid-up." Instead of repaying the loan if the insured would keep the $2,600 together with the savings for nine years of $1,579.74, he would

have a total of $4,179.74. Surrender $2,000 of the $7,400 insurance for a cash value of $527.80, add this to $4,179.74, making a total estate of cash $4,707.54, and insurance estate of $5,400, or a total estate in case of death of $10,107.54.

The premium on the remaining $5,400 insurance would be $214.86. The interest worth of the cash ($4,707.54) of $235.37 will pay the new premium with an excess of $20.51 for the next eleven years, at which time the $5,400 insurance would become "paid-up." The interest on the cash thereafter would give the insured an income of $235.37 for life.

209. Strong Competition.

The strenuous competition now existing between the life insurance companies is not only forcing a reduction in premium rates, but each company is striving to excel its competitors by giving more liberal policy conditions. See conditions the policy should contain, chapter XIV.

210. Should Old Adverse Policies Be Surrendered?

It is a very common occurrence for a policy-holder to secure a new policy from the company, in which he is already carrying a considerable amount of insurance, for a less premium and great deal more liberal policy conditions. In order to prevent the policy-holders from surrendering their old adverse policies and securing their insurance under the more favorable conditions the company is constantly reminding its policy-holders that their old policies being purchased at a younger age furnishes their insurance at a less cost than were they to surrender the same and purchase their insurance at a higher premium rate for their advanced age; that having carried their old policies for several years they have become very valuable to the insured; that they are now almost "paid-up" perhaps and that were the insured to surrender the same

he would sustain great financial loss. In fact all the inducements conceivable are brought to bear on the policy-holders to prevent them from surrendering their present policies and also to prevent the policy-holders from gaining any knowledge of the fundamental principles of life insurance.

The following illustrations should be sufficient to convince the public that at least SOME of the contentions put forth by the officers of some of the life insurance companies are absolutely misleading to say the least of it.

211. Illustration for Sixth Year.

Let us suppose that "A" at age 35 purchased a $1,000 death claim issued on the whole life twenty payment plan, which is shown above for analysis, and after six years had decided to surrender the same for its cash value and purchase a $1,000 death claim on the whole life continuous premium plan from a non-participating company which would give the $1,000 death claim at the smallest guaranteed cost.

As some companies do not charge a surrender fee the following illustrations will be based on the assumption that "A" was able to secure from the company the full amount of the accumulated reserve or self-insurance fund for surrender and as practically all the non-participating companies are operating on the three and one-half per cent reserve basis the average non-participating premium will be used for illustration and the surrender values of the new insurance will be based on the three and one-half per cent reserve.

As shown in article 197, "A" had reduced the actual insurance contained in his policy by the accumulation of his excessive self-insurance fund at the end of the sixth year to $856.60 and he could purchase $856.60 new insurance at his attained age, 41, on the non-participating whole life continuous premium plan for the

average premium of $23.21. The interest worth of the cash value of the present policy ($143.40) at five per cent is $7.17. The interest worth of the cash would reduce the cost of the new insurance to $16.04, which is $20.98 less than the present full premium, therefore he would save $20.98 yearly for the next 14 years, and should death occur in the meantime the $143.40 cash value of the present policy plus the new insurance of $856.60, would leave an estate of $1,000 the same as under the present policy. The savings of $20.98 yearly at five per cent would amount to $431.73 at the end of 14 years. Should "A" wish to surrender the new insurance at the end of 14 years or at the end of the premium paying period of the present policy it will have a cash value of $217.28. The cash value of the present policy ($143.40), plus the savings and their interest worth of $431.73, plus the cash value of the new insurance of $217.28, would give a total cash of $792.41, which is $182.49 in excess of the cash value of the present policy ($609.92) at the end of the twentieth year.

By reforming the present policy as shown above should death occur any time during the 14 years "A" would not only have an insurance estate of $1,000, the same as under the present plan, but in addition thereto the estate would be increased each year to date of demise, the amount of the savings and their interest worth. Death during the seventh year would leave an estate of $1,020.98 and should death occur at the end of the 14th year under the new plan he would leave an estate of $1,431.73, instead of $1,000 under the present plan, or an average excess estate for the whole 14 years of $226.35.

Any "dividends" "A" might receive under the present policy would NOT purchase sufficient insurance to leave an equal estate should death occur during the 14 years. Should "A" live to the end of the 14th year any "dividends" he might receive under

the present policy would NOT equal the excess cash of $182.49.

Should "A" desire to leave a "paid-up" insurance estate of $856.60, instead of surrendering the new policy at the end of the 14th year, he would be required to pay the company the difference between the reserve already accumulated, $217.28, and $522.55, the net single premium required for $856.60 "paid-up" insurance for his attained age, 55, which is $305.27. The cash value of the present policy, $143.40, plus the savings and their interest worth $431.73 for 14 years, will equal $575.16. This amount will pay the $305.27, the amount required for the single premium for his attained age, 55, and leave an excess of $269.86. Upon "A's" death he would leave an insurance estate of $856.60, together with the excess cash of $269.86, or a total estate of $1,126.46, instead of $1,000 under the present plan.

212. Illustration for Tenth Year.

Let us suppose that "A" had carried the above policy for ten years and desired to purchase a policy that would furnish the actual insurance contained in the present policy at a greatly reduced cost.

As shown in article 198, "A" had reduced the actual insurance contained in his policy by the accumulation of his excessive self-insurance fund at the end of the tenth year to $744.22, and he could purchase $744.22 new insurance at his attained age, 45, on the non-participating whole life continuous premium plan for the average premium of $23.49. The interest worth of the cash value of the present policy ($255.78) at five per cent is $12.78. The interest worth of the cash will reduce the yearly cost of his new insurance to $10.71, which is $26.31 less than the present full premium, therefore he would have $26.31 yearly for the next ten years and should death occur in the meantime the $255.78 cash value of the present policy plus

the new insurance of $744.22, would leave an estate of $1,000 the same as under the present policy.

The saving of $26.31 yearly improved at five per cent would amount to $347.55 at the end of ten years. Should "A" wish to surrender the new insurance at the end of ten years or at the end of the premium paying period of the present policy, it will have a cash value of $150.68. The cash value of the present policy $255.78, plus the savings and their interest worth of $347.55, plus the cash value of the new insurance of $150.68, would give a total cash of $754.01, which is $144.09 in excess of the cash value of the present policy ($609.92) at the end of the twentieth year.

Should "A" desire to leave a "paid-up" insurance estate of $744.22 instead of surrendering the new policy at the end of the tenth year, he would be required to pay the company the difference between the reserve already accumulated, $150.68, and $453.91, the net single premium required for $744.22 "paid-up" insurance for his attained age of 55, which is $303.23. The cash value of the present policy, $255.78, plus the savings and their interest worth $347.55 for ten years, will equal $603.33. This amount will pay the $303.23, the amount required for the single premium for his attained age, 55, and leave an excess of $300.10. Upon "A's" death he would leave an insurance estate of $744.22, together with the excess cash of $300.10, or a total estate of $1,044.32, instead of a $1,000 death claim under the present plan. The interest worth of the cash, $300.10, would give an income of $15.00 annually for life.

By reforming the present policy as shown above should death occur any time during the ten years "A" would not only leave an estate of $1,000 the same as under the present plan, but in addition thereto the estate would be increased each year to date of demise the amount of the savings and their interest worth. Death during the eleventh year would leave an estate

of $1,026.31, and should death occur at the end of the tenth year under the new plan he would leave an estate of $1,347.55, or an average excess estate for the whole ten years of $186.93.

Any "dividends" "A" might receive under the present policy would NOT purchase sufficient insurance to leave an equal estate should death occur during the ten years. Should "A" live to the end of the tenth year of the new policy any "dividends" he might receive for the remaining ten years would NOT equal the excess cash of $144.09.

213. Illustration for Fifteenth Year.

Let us suppose that "A" had carried the above policy for 15 years and desired to purchase a policy that would furnish the actual insurance contained in the present policy at a greatly reduced cost.

As shown in article 199 "A" had reduced the actual insurance contained in his policy by the accumulation of his excessive self-insurance fund at the end of the 15th year to $581.67 and he could purchase $581.67 new insurance at his attained age, 50, on the non-participating whole life continuous premium plan for the average premium of $22.62. The interest worth of the cash value of the present policy ($418.33) at five per cent is $20.91. The interest worth of the cash will reduce the yearly cost of his new insurance to $1.71, which is $35.31 less than the present full premium, therefore he would save $35.31 yearly for the next five years and should death occur in the meantime the $418.33 cash value of the present policy plus the new insurance of $581.67 would leave an estate of $1,000 the same as under the present policy.

The saving of $35.31 yearly, improved at five per cent. would amount to $204.79 at the end of five years. Should "A" wish to surrender the new insurance at the end of five years or at the end of the premium paying period of the present policy, it will have a

cash value of $68.23. The cash value of the present policy, $418.33, plus the savings and their interest worth of $204.79, plus the cash value of the new insurance of $68.23, would give a total cash of $691.35, which is $81.43 in excess of the cash value of the present policy ($609.92) at the end of the twentieth year.

Should "A" desire to have a "paid-up" policy under the new plan, the same as he would have had had he continued the present policy for the full twenty years if in good health, he would only be required to pay to the company the difference between the accumulated reserve of the new insurance, $68.23, and the single premium of $609.92 for his attained age, 55, which is $541.69. The savings and their interest worth for five years of $204.79, together with the cash value of the present policy of $418.33, would equal $623.22. This amount would pay the $541.69, the amount required to equal the single premium of $609.92 at age 55 and leave an excess of $81.43.

By reforming the present policy as shown above should death occur any time during the five years "A" would not only leave an estate of $1,000 the same as under the present plan, but in addition thereto the estate would be increased each year to date of demise, the amount of the savings and their interest worth. Death during the 16th year would leave an estate of $1,035.31, and should death occur at the end of the fifth year under the new plan he would leave an estate of $1,204.79 or an average excess estate for the whole five years of $120.05.

Any "dividends" "A" might receive under the present policy for the five years would NOT purchase sufficient insurance to leave an equal estate should death occur during the five years. Should "A" live to the end of the fifth year of the new policy any "dividends" he might receive under the present policy would NOT equal the excess cash of $81.43.

214. Ordinary Life Policies Can Be Converted Any Year.

Any whole life continuous premium policy may be converted any year into a single premium or "paid-up" policy by the payment of the difference between the accumulated reserve on the whole life policy and the net single premium required for the attained age of the insured and this may be done without a medical re-examination, as it is only fair to presume that the company would be only too glad to accept the excess payment if they knew the insured was going to die during the next year.

If the insured will compare the figures shown above in the itemized statements it will be easy to determine whether or not a life insurance policy becomes more valuable, from year to year, to the insured as claimed by the life insurance companies and their agents.

215. Above Policy Can Be Surrendered Without Loss.

If the insured is in good health and able to secure new insurance, there is no year from the third year of the policy to the age limit at which insurance can be secured, which is generally about age 65, that the policy cannot be surrendered and the actual insurance remaining in the death claim purchased for the attained age of the insured at a less cost where money is worth at least five per cent to the insured.

216. Single Premium Insurance.

Any form of a limited payment whole life policy becomes a single premium policy at the end of the premium paying period. In reality it is NOT "paid-up," it is simply transformed to a single premium policy and on account of the insured not being required to pay any more premiums does not signify that the company is not receiving payment for the actual insurance contained in the death claim or the

amount of money the company has at risk. The company DOES receive payment for the actual insurance contained in the death claim.

217. Illustration.

Let us suppose that the insured at age 35 would purchase a $1,000 death claim on the non-participating whole life continuous premium plan for the average premium of $22.20. Pay to the company the first premium of $22.20 and deposit $740.00 in the bank at three per cent, give the insurance company an order on the bank for the interest each year of $22.20, and the insured will not have to pay the company any more premiums and he will have a "paid-up" death claim of $1,000. While the insured will not be paying any more premiums the insurance company will be receiving the payment for the actual insurance just the same.

Under this plan the cash value of the policy would be the accumulated reserve or self-insurance fund on the death claim at the end of the year it is to be surrendered plus the cash in the bank of $740. By adopting this plan the single premium $1,000 death claim would have cost the insured $22.20 in cash and the interest worth of $740 as long as he kept the policy in force.

218. Ten Payment Single Premium Plan.

A $1,000 death claim issued on the ten payment whole life plan on a three per cent basis at age 35 will require the net single premium of $504.59 when the insured has attained the age of 45. The net annual premium on the ten payment plan of $49.73 and its interest worth at three per cent at age 35 will pay the insured's share of the mortality expense for the ten years and create a self-insurance fund or net single premium of $504.59 at the end of the tenth year. The interest worth of the $504.59 at three per cent will

pay the mortality expense for the next ten years and create a reserve or self-insurance fund of $609.92 (age 55), which is the net single premium at that age.

219. Fifteen Payment Single Premium Plan.

The fifteen payment plan of whole life insurance requires the payment of a little smaller premium than the ten payment life because the insured will be required to make fifteen payments. The cash value or self-insurance fund on a $1,000 death claim issued on the fifteen payment whole life plan on the three per cent basis at age 30 at the end of the fifteenth year or at age 45 is the same as the single premium ($504.59) on the ten payment life in ten years, and after ten years or at age 55 will equal $609.92 the net single premium required at age 55. To the net premiums here given must be added sufficient money to pay the insured's share of managing expenses and if he is to receive "dividends" he must pay to the company the money to be returned at some future time as "dividends."

220. Insurance Must Be Paid For.

The insured must ever remember that as long as his policy remains in force he must pay to the company in some way the cost of the actual insurance remaining in the death claim for his attained age.

221. Different Interpretations.

It is remarkable that so many misleading interpretations can be obtained upon the principles of life insurance by the average policy-holder.

222 Illustration.

In order to illustrate one of the most common inconsistencies let us suppose that "A" at age 35 purchased two $1,000 death claims. He secures number one (1) from a legal reserve company operating on

the three and one-half per cent basis on the whole life twenty payment plan for the average non-participating premium of $30.10. He purchases number two (2) from an assessment company for the average premium of $14.40. At age 55 policy number one (1) becomes "paid-up" and "A" feels very much relieved to think that his $1,000 death claim will cost him nothing thereafter.

Let us suppose that "A" should be "forced" to pay $38 for the assessment policy after the twentieth year or at age 55, instead of $14.40. As his legal reserve policy only cost him $30.10, he would undoubtedly allow the assessment policy to lapse on the account of having to pay what he considered "a too high premium." Let us see which policy was costing the most for the actual insurance at age 55.

By the payment of the difference in premiums on the two policies of $15.70 "A" had reduced the actual insurance in the legal reserve death claim to $433.85. The interest worth of the cash value or self-insurance fund ($566.15) at five per cent of $28.30 would not be paid for $1,000 of insurance, but for $433.85 of insurance, and if $433.85 cost him $28.30, $1,000 would cost him $65.20. The actual insurance remaining in the $1,000 death claim under the assessment policy after the twentieth year would be practically $1,000. Therefore if "A" was "forced" to pay $38, he would not be paying anywhere near as much for his insurance under the assessment policy as he would under the legal reserve. While it is true that the legal reserve policy would have a cash value of $566.15, yet this was "A's" own money that he had paid to the company in excess of the actual cost of the insurance. Had "A" kept the difference in premiums of $15.70, the same as they would have been kept by the insurance company, the difference in the premiums and their interest worth at five per cent yearly would amount to $545.10 in twenty years or within $21.05 of

the cash value of the legal reserve policy and had death occurred in the meantime, under the assessment policy "A's" beneficiary would have received the $1,000 death claim plus the savings in premiums and their interest worth yearly to date of demise, while under the legal reserve policy the beneficiary would only receive the $1,000 death claim.

Had "A" carried both of the above policies to age 55 and decided at that time to surrender the same on the account of not needing the insurance any longer the legal reserve policy would have a cash surrender value of $566.15, while the assessment policy would have no surrender value and "A" would feel that he had got the worst of it from the assessment company and would probably never purchase assessment insurance again on account of all of the premiums he had paid being lost, never taking into consideration the fact that he had had the difference in premiums of $15.70 yearly to use in his business and that had he kept the $15.70 yearly and its interest worth he would have had $545.10 or within $21.05 of the cash value of the legal reserve policy and had death occurred the twentieth year the savings of $545.10 would not have been lost to the beneficiary.

The legal reserve policy would have been far the best in "A's" estimation because he would have carried the $1,000 death claim for twenty years and would have been able to receive $566.15 without having to die, never stopping to think that this was his own money that he had paid to the company in excess of the actual cost to the company of the actual insurance contained in the death claim, to purchase the "paid-up" or single premium policy at the end of twenty years.

223. Extra Features Must Be Paid For.

On account of the twenty payment life policy being the most popular form of limited payment whole life

policies it is not uncommon to find policies founded upon the same basic principles, but containing additional features, and the reader may rest assured that any of these features must be paid for in addition to the premiums required for the regular twenty payment whole life policies and the purchaser of these forms most generally pays very dearly for any additional benefits offered by these different forms of policies.

If the author undertook to explain all these different "new-fangled" forms of twenty payment policies in detail it would required almost unlimited space.

In order to convince the reader that there is no advantage to be obtained by purchasing these adverse forms of policies, which are so skilfully designed to deceive the public, a short analysis will be here given of the most objectionable and also the most widely advertised forms.

224. Twenty Payment Whole Life "5 Per Cent Gold Bond."

The first of these to be analyzed will be what is called the "20 payment whole life 5% gold bond." This plan as applied to the endowment policy was explained in the preceding chapter, article 172. When applied to the endowment policy the "gold bond" was to be payable to the beneficiary should the death of the insured occur during the endowment period and the "gold bond" would be delivered to the insured should he survive the endowment period, but under the "twenty payment whole life gold bond plan" the bonds are only to be delivered to the beneficiary upon the death of the insured. As the officers of the insurance companies know that it is very easy to secure good reliable bonds which would pay a "dividend" of five per cent from any bank or trust company, in order to furnish the insured or his beneficiary a good substantial investment paying five per cent the "five per

cent gold bond policy'' was originated. The issuance of these bonds enables the insurance company to compete to the fullest extent with our banks and trust companies.

As the insurance companies are operating on the three, three and one-half and four per cent reserve basis it would be unlawful for them to guarantee to their policy-holders a legitimate five per cent dividend. In order to cover up this point and make it appear that the insurance company really pays a five per cent dividend or that the company will deliver the gold bond paying five per cent to the beneficiary after the death of the insured, he must pay premiums for the ''gold bond policy'' sufficient to purchase $1,300 of life insurance on the regular whole life twenty payment plan. Upon the death of the insured the $1,300 death claim is paid to the company and in lieu thereof, the company issues to the beneficiary a $1,000 ''gold bond'' paying five per cent interest for twenty years and at the end of that time will deliver the $1,000 to the beneficiary. Three per cent interest yearly on the $1,000 bond is $30 and this is all a company operating on the three per cent basis could legitimately pay, but the $300 additional insurance, the insured purchased, with the interest increments, enables the company to pay the two per cent extra for the twenty years and at that time deliver to the beneficiary the ''gold bond'' which represents $1,000 of the $1,300 purchased.

Had the insured purchased $1,300 of insurance on the twenty payment whole life plan and left the policy with some bank or trust company with instructions to collect the $1,300 insurance upon the death of the insured and instead of paying the death claim to the beneficiary, purchase $1,300 worth of LEGITIMATE bonds paying five per cent, the beneficiary would have an income of $65 yearly instead of $50 for each $1,000 ''gold bond'' purchased.

If the insured and the beneficiary are the same age and should the insured purchase the "gold bond" at age 40 and only live twenty years, the time required to pay the premiums, the beneficiary would be required to live to age 80 to receive the much coveted "five per cent gold bond." Is it any wonder that certain states have passed laws forbidding the issuance of such GOLD BRICK schemes?

225. "Twenty-eight Year Endowment."

The next policy to be explained will be the twenty payment whole life policy which may be converted into an endowment maturing in eight years, and by the payment of eight additional premiums which is in reality a twenty-eight year endowment policy. To the unsuspecting purchaser of insurance this proposition might appear a good one at a glance, but let us analyze it and see whether the insured gets value received or not.

The policy is written on the whole life twenty annual premium plan for the annual premium of $38.58 for age 35. The company's regular rate for a whole life twenty-payment policy is only $38.34, therefore there is $0.24 "tacked on to the premium" for some reason, perhaps to enable the company to pay a little larger "dividend" as this policy is a little out of the ordinary. $38.34 is the annual premium required by the company for twenty years for a $1,000 death claim and pay the insured's share of mortality expense and to create a cash value or self-insurance fund of $1,000 and to pay the insured's share of managing expenses and all of the money to be returned to the insured as "dividends" for 61 years, or until the insured attains the age of 96.

If the insured lives and pays premiums for twenty years the cash value or self-insurance fund will amount to $609.92. If the insured lives eight years longer or to the end of the endowment period the accumu-

lated reserve or self-insurance fund from the twenty premiums already paid will amount to $700.83, and the insured could surrender the policy for this amount. The eight additional premiums of $38.58 yearly and their interest worth at 3% will make up the additional $299.17 required for the $1,000 endowment and leave $54.22 to be returned as "dividends" in the eight years. Where the insured purchases the above policy at age 35 and takes advantage of the endowment conversion privilege, the premium paying period is extended to within less than four years of the insured's expectation of life and should the death of the insured occur previous to the end of the endowment period all of the extra premiums paid to date of demise will be lost to the insured's estate. The above policy is one of the most objectionable forms offered for sale and should not be purchased.

226. Whole Life 20 Payment Return Premium Policy.

This form of policy is written under several different aliases, "the return premium" or "premium refund" are all the same form of policies.

The return premium or premium refund policies are simply the whole life, limited payment life, or any form of endowment policy to which has been added graded term insurance to the amount of the premiums. It is NOT a return of the premium in the true sense of the word. The insured simply purchases term insurance to the amount of the premiums.

227. Whole Life 20 Payment Guaranteed Premium Reduction Policy.

This form of policy is generally issued with a beautifully engraved sheet of "coupons" attached (nineteen in number) and appears very attractive and it is generally as misleading as it is attractive. This form of policy is issued by some of the participating companies and some of the non-participating companies

and most generally by the younger companies. In nearly all cases an extra high premium is charged at first, sometimes as high as $40 for a $1,000 death claim for age 35, by a company operating on the three and one-half per cent basis. The net premium required for a $1,000 whole life policy on the three and one-half per cent basis at age 35 is $27.40. Therefore when the first premium of $40 is charged, the insured pays an overcharge of about $10 allowing a good liberal loading for expense of management. The full overcharge is not returned at the time the second premium is paid, the coupons being filled out in increasing amounts, thereby giving the insured the impression that he is securing the $1,000 death claim at a reduced cost each year. While it is true that the cost is reduced each year, yet the insured has paid excess money in the early years of the policy which may and should reduce the cost in after years below that of the regular premiums charged by the other companies.

The amount payable on any coupon policy is simply a refund of the insured's cash paid to the company in excess of the net premium together with a reasonable amount contributed for expense of management.

The coupon policies are becoming very popular perhaps on the account of their attractiveness, and the prospective purchaser should never purchase any form of a coupon policy, as there is absolutely nothing to be gained by so doing.

As a permanent insurance policy is written to cover the whole of life or the possible life-time of the insured (from age at issue to age 96) it may be paid for in one, three, seven, ten, fifteen, twenty, twenty-five or any number of payments the purchaser may select, or the payments may be paid yearly as long as the insured may live.

The smaller the number of payments the insured is

required to make, the larger will be the amount of each payment.

The ten and fifteen payment whole life policies are issued on the same basis and the same conditions as the twenty payment policy. The ten payment requires a larger premium than the fifteen, the fifteen larger than the twenty and the twenty larger than the ordinary life. Therefore it will not require a detailed explanation of the ten and fifteen payment whole life policies. The ten and fifteen payment whole life policies may be surrendered any year after the third and the actual insurance yet remaining in the death claim purchased at the attained age of the insured without financial loss, and where these forms of policies are surrendered and the actual insurance purchased on the whole life continuous premium plan a great saving will result in the cost of the insurance for the policy-holders.

The prospective purchaser should ever remember that it is not good business prudence to purchase a $1,000 death claim or more to protect the beneficiary, and then at once proceed to pay off his own death claim any faster than is absolutely necessary. See article 284.

There are also a great many "side-issues" attached to the ten and fifteen payment life forms which are as equally disastrous for the best financial interests of the insured and should not be purchased.

As this chapter concludes the explanations of the different forms of policies the manner in which the death claim is sometimes paid to the beneficiary which is commonly called "annuity or instalment policy" will next be explained.

CHAPTER XI

ANNUITY OR INSTALMENT INSURANCE

228. "Annuity or Instalment Insurance."

What is generally called "annuity or instalment insurance" is becoming very popular. In reality there is no such form of life insurance. It derives its name from the plan under which the beneficiary receives the benefits of an insurance policy. A general interpretation of the word "annuity insurance" is, that the insurance continues and is payable to the beneficiary in a specified number of instalments or for the whole of life of the beneficiary. This interpretation is NOT correct, as the actual insurance remaining in any death claim matures and becomes payable upon the death of the insured.

229. May Be Applied to Any Form of Policy.

The annuity or instalment plan under which the beneficiary is to receive the benefits of a death claim may be applied to the term, the whole life continuous premium, or any form of whole life limited premium or any form of the so-called endowment or investment insurance, with this exception, that when applied to the endowment or investment form of policy the insured may receive the proceeds of the cash value of the policy as an annuity or on instalments for a specified number of years or for the whole of life.

230. Insurance Terminates Upon the Death of the Insured.

The insured should ever bear in mind that the actual insurance element of a life insurance policy matures and becomes payable, together with the self-

insurance fund upon the death of the insured. Any time there is no actual insurance remaining in a death claim, whether matured by death or by the self-insurance fund, the death claim becomes payable.

231. Annuity Plan for Paying Death Claim.

When an annuity or instalment policy is purchased the insured simply elects that the death claim be paid to the company and that the company pay to the beneficiary the amount of the death claim and the interest increments in a specified number of instalments, or instalments extending over the life-time of the beneficiary. These policies are now written containing a clause under which the beneficiary is prohibited from commuting, and receiving in one sum, the amount of the death claim.

The annuity or instalment plan for the payment of a death claim is adopted by the insured to relieve the beneficiary from the trouble of having to invest the death claim and also to provide a yearly income certain for the beneficiary for a specified number of years or for the whole of life.

Most all forms of policies contain a table stating the amount of each annual annuity or instalment that will be paid for a specified number of years or for the whole of life for each $1,000 of death claim and where the policy does not contain this table the company will adopt the annuity or instalment plan of settlement upon the request by the insured and this will be done without extra charge.

Where the annuity tables are printed in the policy the explanation which accompanies them is generally very explicit. As these tables are calculated on the basis of a $1,000 death claim the amounts to be paid by the different companies are very near the same for an equal number of payments. The amount of the annual premium paid for the death claim has no bearing whatever on the amount of the annuity to be paid.

232. Annuity Plan May Be Applied to All Policy Forms.

At age 35 a $1,000 death claim issued on the twenty-year term plan for an average non-participating premium of $14.25 will pay the same amount of an annuity for the same specified number of payments as were the policy issued on the whole life continuous premium plan or the whole life limited payment plan or the high-priced endowment where an average premium of $50.63 is charged.

233. Illustration.

In order to illustrate the payment of a death claim by instalments a $1,000 death claim paid to the company to be distributed will be used as a basis. Where a specified number of equal instalments are to be paid the number may be placed at from two to fifty. Where the $1,000 is to be returned to the beneficiary by the company together with its interest worth, where the payments are extended over a period of 20 years, the total amount the beneficiary will receive will be in excess of the amount received where the payments are to be made in ten years, but the amount of each instalment will be less.

For example, where the company operating on a 3 per cent basis distributes a $1,000 death claim to the beneficiary in 20 equal annual instalments of $65.25 the total amount the beneficiary will receive in 20 years will be $1,305. Where the $1,000 death claim is distributed by the same company in ten equal annual instalments of $113.75, the beneficiary will receive $1,137.50 during the ten years. The difference in the total amounts of $167.50 represents the excess interest the company was able to earn on the money held by it for 20 years instead of ten.

234. 3½ Per Cent Basis Pays Greater Annuity Than 3 Per Cent.

Any company operating on a 3½ per cent basis where any death claim is payable as an annuity the total amount the beneficiary will receive in an equal number of years will be in excess of the amount received where the company is operating on a 3 per cent basis. The following amounts are very near the amount of annuities that will be paid in the years specified.

A company operating on a 3 per cent basis will pay ten instalments of $113.75 totaling $1,137.50, fifteen instalments of $81.25 totaling $1,218.75, twenty instalments of $65.25 totaling $1,305. A company operating on the 3½ per cent basis will pay ten instalments of $116 totaling $1,160, fifteen instalments of $84 totaling $1,260, twenty instalments of $68 totaling $1,360.

Where an increased number of annual instalments are paid, a corresponding increase will occur in the total amount to be received by the beneficiary on account of the interest to be earned where a portion of the money is held by the company, but the amount of each instalment will be smaller.

235. Annuities May Be Paid to One or More Beneficiaries.

Where a specified number of payments are to be made, should the stipulated beneficiary die before all of the specified number of payments are made, the remaining unpaid instalments may be paid to some other beneficiary, as agreed upon between the company and the insured, or where there is no other beneficiary specified, the balance of the unpaid instalments will revert to the insured's estate. By adopting this plan the insured is enabled to provide a positive income for his beneficiary, and in a way that the proceeds of the premiums paid will be certain to go to his beneficiaries or estate after his death.

236. Limited Annuity Plan.

Where the limited payment plan is adopted as above the specified number of payments will actually be paid by the company.

237. Continuous Annuity Plan.

Where the insured desires to provide for the payment of the annuity or the instalments for the life-time of the beneficiary, after the death of the insured, or for twenty instalments certain and as many years as the beneficiary may live beyond the payment of the specified instalments, the basis used in calculating the amounts to be paid is a little different than where a specified number of instalments are to be paid. Under this plan the $1,000 death claim is paid to the company (the same as under the limited payment plan), but the company only takes a part of the $1,000 death claim to pay the twenty payments certain and the balance of the $1,000 death claim is used to pay additional instalments of equal amount during the life-time of the beneficiary after the payment of the twenty annual instalments. This plan is called the "continuous annuity or instalment plan," as it provides for the payment of an equal annual instalment for the life-time of the designated beneficiary. The amount the company will pay annually under this plan will be governed by the age of the beneficiary at the time, the death of the insured occurs. The older the beneficiary at the death of the insured, the greater will be the amount of the instalments to be paid.

The following average amounts will be paid for each $1,000 death claim according to the age of the beneficiary at the death of the insured or at the beginning of the payment of the instalments.

A company operating on a 3 per cent basis will pay at age 20, $41; age 30, $44; age 40, $49; age 50, $56; age 60, $62; age 70, $65. A company operating on a

3½ per cent basis will pay at age 20, $45; age 30, $48; age 40, $53; age 50, $60; age 60 and over, $66.

238. Age of Beneficiary Considered.

Sometimes the age of the beneficiary is considered at the time the insured purchases the policy where the death claim is to be paid to the beneficiary in equal annual instalments for the life-time of the beneficiary, i. e., the premiums paid are only sufficient to purchase a death claim upon the death of the insured, which will take years of interest accumulations to equal a death claim of $1,000, thereby purchasing an annuity to begin twenty years after the death of the insured, and by so doing the first twenty instalments certain are purchased and also an annuity, without knowing whether it is possible for the beneficiary to live to receive such annuity.

Under this plan should the beneficiary die before the insured or before the twenty instalments certain had been paid all money paid for the annuity, to be paid after the twenty payments, would be lost. The first twenty instalments will be paid by the company and the actual death claim pays for such instalments, the annuity not beginning until twenty years after the death of the insured.

239. Beneficiary Should Purchase Annuity.

A better plan would be to purchase more insurance with the money to be paid for such annuity, the beneficiary being required to purchase, upon the death of the insured, the first twenty instalments and the annuities with the greater death claim money, and under this plan should the first named beneficiary die before the insured, the benefits can be transferred to some other beneficiary, or the policy can be surrendered for its cash value without the loss of the money paid for annuities.

240. Excessive Premiums Sometimes Paid.

Where the insured purchases an annuity or instalment policy, it is not unusual to find that too high premiums are being paid for the same. A $10,000 death claim purchased on the ordinary life non-participating plan at age 35 for the average annual premium of $222 provides for the payment of $10,000 in one sum, upon the death of the insured, or the insured may elect to have it paid to the beneficiary in twenty equal annual instalments of $652.50 each, or a total of $13,050 in twenty years. This plan will produce an interest earning of $3,050. On the same basis it would only take $7,662.50 insurance, payable in twenty annual instalments of $500, to produce $10,000 at the end of twenty years. Apparently the policies are each written for $10,000. The first policy is actually written for $10,000 and the beneficiary will receive $10,000 with interest increments, while the second policy of $10,000 written on the instalment plan for $10,000 payable in twenty annual instalments of $500 may be written for a smaller premium, and the insured who purchases a $10,000 instalment policy may feel that he is securing his insurance at a smaller cost, yet he may be paying a very high premium for the same, not taking into consideration the fact that the $10,000 instalment policy will not produce $10,000 before the end of twenty years.

241. A Fair and Equitable Premium.

Where an instalment policy is purchased at age 35 on the non-participating plan, which provides for the payment of $500 per year for twenty years, on the ordinary life plan $163.17 per year is a fair and equitable premium to be paid for the same.

The insured is justified in purchasing a death claim payable in monthly or annual instalments, providing the instalments are purchased by the beneficiary with the proceeds of the death claim, and if only twenty

instalments are desired instead of the continuous instalments, then the insured would be justified in purchasing $735 of insurance for each $50 yearly instalment desired for twenty years, on the ordinary life non-participating plan for the average annual premium of $16.31, the policy providing that the death claim shall be paid in twenty annual instalments.

Life insurance should be purchased for protection, as this is the only real benefit to be derived from any form of a life insurance policy. As the public is educated to believe that legitimate "investments" may be secured by purchasing certain forms of "investment life insurance policies," the "investment" feature of life insurance will be explained under the Summary, as several different forms of policies are sold which purport to afford an investment for the purchaser.

CHAPTER XII

SUMMARY

The information and illustrations given in the foregoing pages should explain the principles of life insurance as applied to the several different forms of policies from the policy-holders' standpoint.

242. General Information.

Under Chapter III will be found information as applied to life insurance in a general way. This information applies to all of the different forms of policies and by placing this information in a separate chapter repetition is avoided under the several forms of policies.

243. Cost as Applied to the Company and Insured.

Under Chapter IV will be found an explanation of the principles as applied to determining the net cost of insurance not only to the company, but to the insured. An explanation will also be found under this chapter of the "dividend" element of the premiums to be paid by the insured.

244. One Year Term Used as a Basis.

Under Chapter V an explanation of the one year term policy explaining the net cost to the company for a $1,000 death claim for each year of the insured which is the basis for calculating the cost of the actual insurance in the death claim on all forms of policies.

Under the following chapters will be found explanations and illustrations showing the advantages and disadvantages to the insured under each separate form.

There are several other very important matters per-

taining to the purchase of life insurance which must be treated under a general explanation, as they do not apply to all forms of policies.

245. "Investment Item."

The principle of "investment" has been applied to some forms of life insurance policies and as the author has endeavored to explain the favorable and the unfavorable forms of policies and instruct the reader how to select the form of policy which will render the greatest benefits (protection) to be derived from a life insurance policy for the smallest net cost to the insured, the feature of "investment" should be explained in order that the reader may be able to select the form of policy which will render the greatest "investment" returns under a life insurance policy at the smallest net cost.

The death claim payable under a life insurance policy should be considered the only "investment" for the insured and the greatest "investment" will be realized where the smallest premiums are paid.

As the death claim is wholly in the interest of the beneficiary and only payable upon the death of the insured, the term "investment" when applied to a life insurance policy is represented by the money which the insured may receive after a specified number of years upon the surrender of the policy.

246. Life Insurance Affords Protection Only.

Life insurance was primarily established to afford protection and where protection is needed, it is most generally needed for an extended period of time, and where "investment" is purchased it is generally expected that the "investment" should mature in a short period of time in order for the purchaser to realize the benefits of his "investment." Therefore when the "investment" features were applied to a life insurance policy it would seem that a great mistake

had been made, as their basic principles are in direct opposition.

247. The Dividing Line.

As some policies are written for protection alone and some policies are written for protection and "investment" it becomes necessary to establish a dividing line.

248. Temporary Insurance.

The term insurance is purchased for protection alone and term policies generally have no cash surrender values, the premiums paid being only sufficient to pay the expected mortality expense and a small contribution for managing expenses for the number of years the policy is written to cover, and is therefore designated as temporary insurance. By adding a small amount to the gross premium the term policies may be changed to permanent insurance by being made renewable without medical examination.

249. Permanent Insurance.

The whole life continuous premium policy being permanent insurance is written to cover the possible lifetime of the insured. In order that the insured may be able to pay a level premium for a large number of years or the whole of life, the insured must pay to the company during the earlier years of the policy money in excess of the actual cost of the insurance to create the reserve or self-insurance fund.

250. Ordinary Life Form not Really an Investment.

While the insured can withdraw this excess money any year the policy may be surrendered after the third, the whole life continuous premium policy cannot be considered an "investment policy," as the cash the insured is able to withdraw upon surrender of the policy was not paid to the company to secure an

"investment," but simply to enable the insured to secure permanent insurance at a level yearly premium, therefore the term policy will be taken as a basis for temporary or short time "investments" and the whole life continuous premium as the permanent insurance basis.

251. Non-Participating Rate Used for Illustration.

As most forms of "investment" policies are written to cover twenty years, the twenty-year period will be adopted as a basis for the following illustration. As the "dividend" element of the premium or the overcharge made to enable the company to pay annual or deferred "dividends" cannot be considered legitimate "dividends" or returns on an "investment," the average non-participating premiums for age 35 on a $3\frac{1}{2}$ per cent basis will be used.

Where a term policy is written to cover a period of twenty years the average level annual premium required for each $1,000 death claim is $14.25 for age 35. The $14.25 is all the premium that is required to pay the insured's share of mortality and managing expenses for the 20 years and any money paid to the company in excess of this amount must be paid for "investment."

Where the policy is written to cover the whole of life the average level annual premium required for each $1,000 death claim is $22.20 for age 35, this being the premium required to pay mortality and managing expenses and create the reserve or self-insurance fund, and any money paid in excess of this amount must be paid for "investment."

The 20-year term plan affords the greatest amount of protection at the smallest net cost to the insured for 20 years. The whole life continuous premium policy affords the greatest amount of protection for the whole of life at the smallest net cost to the insured. Therefore these two forms of policies are the best in-

vestment for the insured considering the beneficiary's interests. The value of an "investment" is based on the "dividends" or profit received considering the chances of losing the original "investment." In order that we may determine the best investment for the insured the following illustration will be used.

252. "Investment" Illustrated.

Let us suppose that "A" purchases four $1,000 death claims at age 35. He purchases number one on the twenty-year term plan, annual premium $14.25. He purchases number 2 on the ordinary life plan, annual premium $22.20. He purchases number 3 on the 20 payment life plan, annual premium $30.10. He purchases number 4 on the 20 year endowment plan, annual premium $44.50.

The premium to be paid on any form of a life insurance policy must first contain the elements of mortality and managing expenses. As the premium required on the term policy only provides for these elements, the premium of $14.25 will be taken as a basis. $14.25 of any of the above premiums is consumed to pay for the protection afforded in the policy and the term policy has no cash surrender value the twentieth year, therefore none of this amount can be returned on any of the above policies. As all of the other three policies have cash surrender values they will be considered in this illustration as "investment policies."

By increasing the term rate of $14.25 to $22.20, the premium required for the ordinary life policy, $7.95 may be considered the "investment" element of the premium. As the cash value of the term policy was nothing, the cash value of the ordinary life policy of $310.75 represents the total "investment" at the end of the 20th year. The statement of the account at the end of the 20th year is as follows:

$14.25 yearly for 20 years for the death claim..	$285.00
$7.95 yearly for the "investment" equals.....	159.00
Total paid for insurance and "investment"..	$444.00
Guaranteed cash value of policy at end 20th year or the "investment".....	310.75
Total amount paid for "investment".....	159.00
"Profit" an "investment" for 20 years.....	$151.75
Average amount "invested" for 20 years.....	79.50
Average yearly "profit" for one year.....	7.58
Average percentage of "profit".....	9.5

The above illustration shows that $7.95 invested yearly for 20 years gives a total "profit" of $151.75, or an average yearly "profit" on the "investment" of 9.5 per cent, where the policy is surrendered.

By increasing the term rate of $14.25 to $30.10, the premium required for the 20 payment life policy, the difference in the premiums of $15.85 represents the "investment" element of the premium. The following illustration will show the results on this plan the 20th year:

$14.25 yearly for 20 years for death claim....	$285.00
$15.85 yearly for the "investment" equals....	317.00
Total paid for insurance and "investment"..	$602.00
Guaranteed cash value of policy at end of 20th year or the "investment".....	566.15
Total amount paid for "investment".....	317.00
"Profit" on "investment" for 20 years.....	$249.15
Average amount "invested" for 20 years....	158.50
Average yearly "profit" for one year.....	12.45
Average percentage of "profit".....	7.8

On the 20 payment life plan, where $15.85 was "invested" for the whole 20 years, the "profit" for the whole 20 years was $249.15. Percentage of average

yearly "profit" 7.8 per cent, where the policy is surrendered.

By increasing the term premium of $14.25 to $44.50 the average premium for the 20 year endowment policy, the difference in premiums of $30.25 represents the annual "investment" under the 20 year endowment policy. The following illustration will show the results the 20th year on the 20 year endowment plan:

$14.25 yearly for 20 years for death claim....	$285.00
$30.25 yearly for the "investment" equals....	605.00
Total paid for insurance and "investment"..	$890.00
Guaranteed cash value of policy at end of 20th year or "investment".....	1,000.00
Total amount paid for "investment".....	605.00
"Profit" on "investment" for 20 years.....	$395.00
Average amount "invested" for 20 years.....	302.50
Average yearly "profit" for one year.....	19.75
Average percentage of "profit".....	6.5

On the 20 year endowment plan the difference in premiums of $30.25 "invested" yearly for the 20 years in addition to the premium of $14.25 gives a "profit" of $395. Percentage of average annual "profit" 6.5 per cent.

Thus it will be seen that where $30.25 is "invested" yearly on the endowment plan, or $14.40 more than on the 20 payment plan, the percentage of yearly "profit" is reduced from 7.8 per cent to 6.5 per cent and $15.85 is "invested" yearly on the 20 payment plan or $7.90 more than on the ordinary life plan the yearly percentage of "profit" is reduced from 9.5 per cent to 7.8 per cent and the more that is "invested" each year the greater is the self-insurance fund with corresponding reduction in the actual insurance contained in the death claim and a reduction of percentage of yearly "profits." Do these illustrations

verify the statements made by the officers and agents of the insurance companies "that the higher-priced forms of policies afford the best investment for the insured?"

253. A Better Plan for Investment.

As "A" was undoubtedly seeking an "investment" when he purchased the 20 payment life and the endowment policies, and as the premiums paid on those policies in excess of the premium required for the ordinary life policy of $30.20 did not purchase any additional insurance or death claim and he surely did not pay to the company the $30.20 yearly for 20 years, just for the privilege of losing each payment made to date of demise should he die in the meantime, so he must have paid it to the company to secure an "investment."

Instead of paying this money to the company yearly with the understanding that "should he die the company was to keep each payment and its interest worth to date of demise, or should he survive the twenty years, the company would return the greater part of his savings or 'investment'", how would this plan have appealed to him?

As "A" had $111.05 yearly to pay for $4,000 of insurance, $30.20 of this amount to be paid to the company for "investment," let us suppose that he had purchased $1,000 of the insurance on the twenty year term plan for $14.25 and $3,000 of the insurance on the ordinary life plan for an annual premium of $66.60 and had invested the remaining $30.20 yearly in bonds or some other reliable securities paying at least five per cent. Should he have desired to surrender all of his insurance at the end of the twenty years his account would have stood as follows:

Cash value of term policy	$ 000.00
Cash value of $3,000 ordinary life policy	932.25
Amount of $30.20 invested yearly at 5 per cent	1,047.54
Total cash end of 20th year	$1,979.79

Where he "invested" the $30.20 yearly with the insurance company his account was as follows:

Cash value of term policy	$ 000.00
Cash value of $1,000 ordinary life policy	310.75
Cash value of $1,000 20 payment policy	566.15
Cash value of $1,000 20 year endowment policy	1,000.00
Total cash end of 20th year	$1,876.90

Total cash on "legitimate investment" plan	$1,979.79
Total cash on "insurance investment" plan	1,876.90
Excess cash by purchasing "legitimate investment"	$ 102.89

The excess cash of $102.89 only represents the excess "profit" to be gained by investing in "legitimate investments" where "A" lives to the end of the 20th year. Let us suppose that "A" should have died any time during the 20 years, what would have been the results?

Should "A's" death have occurred the first year or any year during the twenty, under the first plan of "investment" he would have left an insurance estate of $4,000. Should he have died the first year under the second plan of "investment" he would have left an estate of $4,000, the same as under the first plan and in addition thereto a cash estate of $30.20. Had "A's" death occurred the 20th year he would have left an insurance estate of $4,000 and in addition thereto a cash estate of $1,047.54 (investment of $30.20 yearly and its interest worth) or a total of $5,047.54 instead of $4,000 under the first plan of "investment."

The excess cash estate the first year of $30.20, plus the cash estate of $1,047.54 the 20th year, would give an average excess estate of $538.87 for the whole 20 years.

Had "A" adopted the second plan of "investment" and become financially embarrassed at the end of the fifteenth year and been unable to pay the full premium for "investment" and insurance of $111.05 he could have stopped the "investment" part of his premium of $30.20 without reducing the $4,000 insurance estate. His "investment" at the end of the fifteenth year would have amounted to $684.33 and the interest on this amount would reduce the premium of $80.85 required for the $4,000 insurance to $46.64.

Should it be worth more than 5 per cent to "A" to have the use of the $684.33 to use in his business, "A" could have the use of this amount without reducing the $4,000 death claim.

Under the first plan of "investment" should "A" be compelled to secure $684.33, the amount of his "investment" from the insurance company, the company would charge him at least 5 per cent for the use of his own money and should his death occur before the amount secured was repaid to the company this amount would be deducted from the $4,000 death claim.

"A" should also not lose sight of the fact that under the high-priced endowment policy, the insurance actually expires at the end of the twentieth year, as the self-insurance fund or his own cash left with the company equals $1,000 at that time.

Supposing "A's" health had become impaired by accident or sickness in the latter part of the endowment period, had he purchased the $1,000 death claim on the ordinary life plan instead of the endowment, the same would have been continued in force until matured by death, and should "A's" death occur the third year after the endowment had expired, the ac-

tual insurance remaining in the $1,000 death claim under the ordinary life plan would be $631.68. As this amount would have been lost under the endowment plan, $631.68 might be considered a pretty fair "profit" to be realized upon the payment of three premiums of $22.20 each.

254. High-Priced Policies Do Not Afford Legitimate Investments.

The high-priced policies, which force the actual insurance from the death claim by the excess accumulated self-insurance fund, should never be purchased. Where protection is desired it should be purchased at the smallest net cost to the insured, as this will afford the greatest and the only investment to be derived from any form of a life insurance policy. Where protection and investment is desired, the protection should also be purchased at the smallest net cost to the insured and the investment should NOT be purchased from an insurance company where the investment will be lost in case of death of the insured. Where investment alone is desired it CANNOT be purchased on a "profitable" basis to the insured from a life insurance company, because the insured must at least pay the mortality and managing expense under any form of a life insurance policy in order to secure the same, and where protection is not needed, any money paid to the company for the same is a total loss to the insured. For example: where a $1,000 endowment policy is purchased, in order to secure an investment alone, for the average annual premium of $44.50, $14.25 of each premium is consumed by the company to pay mortality and managing expenses and where the insured has no one to protect this amount is a total loss. How would it be possible for a life insurance company to earn sufficient money on the remaining $30.25, paid to it for "investment," to be able to return to the insured the

$14.25 squandered for mortality and managing expenses and pay a "profitable dividend" on an investment of $44.50?

Where a legitimate investment is purchased each dollar invested should return an equal amount of profit where the investment is purchased in the same company. If a life insurance company actually furnishes a true and legitimate investment, how is it that a life insurance company can earn more with $10 paid to it where a 20 payment life policy is purchased for "investment," than it can with $10 paid to it for an endowment policy purchased for investment, or vice versa? Each policy can be terminated at the end of 20 years. Where the insured purchases the two policies at the same time the mortality and managing expenses SHOULD be the same for 20 years. If they are not the same why should they be purchased?

The insured is only required to pay the mortality expense each year as long as his policy remains in force. The insured is required to pay his share of the mortality expense for each $1,000 death claim whether the death claim is purchased on the 20 payment life plan or the endowment plan. Should it cost the company more to carry a $1,000 death claim on the same person where it is purchased on the 20 payment life plan or on the endowment or any other form of policy, or vice versa? If the insured pays to the company more than his proportionate share of managing expenses while his policy is in force, under one form of policy than another, should not this difference be returned to the insured should he surrender the policies? If not, why?

The above illustrations clearly show that any money the insured is to receive from the company as an "investment" is simply the return of the insured's own money. If he is to receive "dividends" on his policy he must pay additional money to be returned at some future time as "dividends."

255. Deferred Dividends Not Popular.

On account of certain states passing laws prohibiting the companies from holding this excess money paid to the company, to be returned after many years as "deferred dividends," the policy-holders in general object to the companies deferring this excess money paid to be returned as "dividends" after many years and require the policy to be so written that the "dividends" may be received by the insured annually. This is done because the policy-holders have learned enough about insurance to know that should the death of the insured occur before the overcharge is returned it will be lost to the insured's estate.

256. Why Should Deferred Investment Policies Be Purchased?

If the insured will not permit the company to withhold the overcharge paid for "dividends" for many years, why should he permit the company to withhold the overcharge made for extra reserve (self-insurance fund) or investment? The overcharge made for extra reserve (self-insurance fund) or investment will be lost to the insured's estate should death occur before the "investment" is paid to the insured the same as the "deferred dividends." This is done probably because the insured does not know what he is doing when the high-priced "investment policies" are purchased.

257. Illustration.

For example, "A" purchases a $1,000 death claim on the non-participating ordinary life plan 3½ per cent basis, for the average annual premium of $22.20 for age 35. "A" is warranted in paying the difference of $7.95 in the premium on the temporary 20 year term plan of $14.25 and the premium of $22.20 on the ordinary life plan in order to secure permanent insurance. If he wishes to surrender the ordinary life

policy at the end of 20 years he can do so and the cash value of the policy will reduce the cost for the 20 years below that of the term policy. Therefore the $7.95 may be considered a good investment.

"A" also purchases a $1,000 death claim on the 20 payment life participating plan, average annual premium $36.20, for age 35 on the 3½ per cent basis. He pays the difference in premium of $14, that about $6 may be returned as "dividends" and $8 to be held by the company as reserve. "A" will not permit the company to withhold the $6, paid to it yearly for "dividends," until the end of the 20th year, as would be done were the policy written on the deferred dividend plan, because he has learned that each payment of $6 and its interest worth made to the company to date of demise, would be lost to his estate should death occur in the 20 years. He does not enter any protest whatever against the company withholding the $8 paid to it yearly for excess reserve. What benefit will "A" receive for the $8 paid annually should his death occur during the 20 years?

The $22.20 paid to the company yearly on the ordinary life plan is all that is required to pay his share of mortality and managing expenses, from year to year, on a permanent insurance death claim and create the reserve or self-insurance fund of $1.000 at age 96, thus enabling him to pay a level or equal premium each year, and the company will pay $1,000 to the beneficiary under the ordinary life policy the same as the 20 payment policy.

The $6 is paid to the company yearly to accumulate some cash that the insured may have the privilege of withdrawing at the end of the 20th year providing he lives. The $8 is simply paid to the company yearly in order to create a reserve or self-insurance fund equal to the single premium required for a $1,000 death claim at age 55, which "A" may have the privilege of withdrawing at the end of 20 years, or turn-

ing the same over to the company to purchase a single premium death claim of $1,000 providing he lives. If one of these plans are bad the two must certainly be worse. Should "A's" death occur in the 20 years the company will take the extra accumulated reserve, add it to the reserve already accumulated on the ordinary life policy, take the balance from the mortality expense fund and pay the death claim.

"A" feels very proud to think that he has "fooled" the company out of the accumulated "dividends" by withdrawing the same annually. The company will allow "A" to withdraw this overcharge annually without deducting the amount withdrawn from the death claim in case of death, but if he withdrew the $8 paid for excess reserve, the company would charge him 5 per cent interest for the same and deduct the amount so withdrawn from the death claim in case of death. Why should this be done? "A" would not have been "robbing" or taking advantage of the company had he purchased both $1,000 death claims on the ordinary life plan. If the company can pay a $1,000 death claim for the $22.20 paid to it to date of demise, without going bankrupt, why should it require the same person to pay $8 extra yearly to date of demise on another form of policy issued at the same time the ordinary life policy was issued?

Should "A" live and wish to surrender the 20 payment policy any year, the company will return the $8 and its interest increments in addition to the accumulated reserve on the ordinary life policy any year, generally after the third. Why should not this $8 and interest increments be returned in addition to the death claim should "A" die during the 20 years?

258. Some Injustices Finally Discovered.

Certain states have passed laws protecting "A" against the loss of this $6, paid to the company for "dividends," but the states have failed, so far, to enact laws which would protect "A" against the loss

of his $8 paid to the company yearly for reserve. Perhaps the reason that these laws have not been passed is because the legislators, who have the power to enact laws to protect the citizens of the state, do not know that these injustices are being practiced by the insurance companies.

After many years and after many millions of dollars had been lost by policy-holders, the legislators of some states finally discovered the injustice of withholding the "dividends" and immediately passed laws to prohibit the same. Let us hope that at some time in the future after more millions will have been lost to the policy-holders the other injustices practiced by the life insurance companies may be discovered and laws enacted to prohibit them.

The laws we now have protect the policy-holders in part. Why not enact laws which will fully protect them?

259. "A" May Protect Himself.

"A" has two ways to protect himself against the loss of his deferred "dividends," first, withdraw the "dividends" annually; second, purchase his insurance on the non-participating plan and not pay the $6 to the company yearly to be returned as "dividends." As the company will not return the $8 annually, without the payment of 5 per cent interest to the company for the use of the same, and also without deducting the amount withdrawn from the death claim should death occur, thereby reducing the same, the only plan left for "A" to adopt to secure the $8 paid as excess reserve without financial loss unless he waits until the end of the 20th year to withdraw the same, is to purchase his insurance on the ordinary life plan and not pay the $8 annually to the company until it WILL purchase him something.

260. Illustration.

Let us suppose that instead of purchasing the $1,000

death claim on the 20 payment life plan he had purchased it on the ordinary life plan and instead of paying the $8 annually to the company he had invested the same in his business or placed it with his other money invested in securities, thereby earning a dividend of at least 5 per cent. The results would have been as follows:

Eight dollars yearly in advance invested at five per cent interest would amount to $277.76 at the end of 20 years. Had "A" decided after 20 years, or when he had attained the age of 55, to purchase a single premium policy or a "paid-up" policy, the same as he would have had under the 20 payment policy, all that will be required of him by the company is, that he pay the difference between the reserve already accumulated on the ordinary life policy, $310.75, and the single premium of $566.15, which is $255.40. The $277.76 accumulated from the investment of $8 yearly would pay this amount and leave a balance of $22.36 and by investing the $8 yearly in this manner "A" would not have jeopardized the same to loss by death during the 20 years.

Should he wish to surrender the ordinary life policy at the end of the 20th year its cash value of $310.75, plus the savings and their interest worth of $277.76, would give $588.51 total cash, instead of $566.15 under the 20 payment plan, or an excess of $22.36 should he surrender the policy.

Had his death occurred the first year he would have left an insurance estate of $1,000 plus the $8 saved for investment, or a total of $1,008. Should he have died the 20th year he would have left a $1,000 insurance estate plus the investment of $277.76 (which the company did not get) or a total of $1,277.76, or an average excess estate of $142.88, for the whole 20 years.

261. Why Should a "Paid-Up" Policy Be Purchased?

Why should "A" desire to pay to the company at

age 55 $566.15 for a "paid-up" policy? That would pay all of "A's" share of the mortality and managing expenses for the next 41 years and create a self-insurance fund of $1,000 at the end of the 41 years, or at age 96. Should "A" die in the next ten or fifteen years that would be a pretty heavy premium to pay for a $1,000 death claim.

Had he continued the ordinary life policy he would only be required to pay the $22.20 yearly for the $1,000 death claim; $566.15 would be a lot of money to pay to the company just to be relieved of the trouble of having to send the company $22.20 yearly as long as he lived, maybe only two or three years. Had he not disturbed the investment of $277.76, the interest thereon of $13.88 would only lack $8.32 of paying the premium on the ordinary life policy and upon his death he would have left an estate of $1,277.76 instead of $1.000 under the "paid-up policy" plan and the cash value or self-insurance fund of the ordinary life policy would have been increasing each year and had he lived to age 96 he would have had the $1,000 self-insurance fund, together with his investment of $277.76, or a total of $1,277.76 cash, instead of $1,000 cash under the 20 payment plan.

262. "B" Purchases an "Investment."

Let us suppose that "B" at age 35 wanted to purchase a good "substantial and profitable" investment and having heard so much about life insurance companies offering substantial "investments" paying such "profitable dividends," he would purchase a $1,000 "investment" on the 20-year endowment plan. He would not purchase it on the participating plan, but had paid $44.50 for the non-participating "investment," because he had learned that there was no real "profit" in the dividend paying policies. He wanted to leave $1,000 insurance for his wife and family and he also wanted $1,000 for himself at the end of 20

years. The following illustration will show whether he selected the proper plan for securing what he most desired or not, namely, protection and "investment."

263. Illustration.

If "A" was not justified in paying $8 for the 20 payment policy in addition to the premium of $22.20 required for the ordinary life policy for "investment," why would "B" be justified in paying $22.30 for "investment." Had he purchased the protection he desired under the ordinary life plan for $22.20 and invested the difference in premium of $22.30 yearly for 20 years at 5 per cent, the accumulated value of his investment at the end of the 20th year would have been $774.25; and should he have died in the meantime the ordinary life policy would have furnished the protection of $1,000.

Should he not need the $1,000 protection after 20 years he could surrender the ordinary life policy for its cash value of $310.75. This amount added to his savings of $774.25 would give a total of $1,085 instead of $1,000 under the endowment plan.

Let us suppose that "B" should die during the 20 years. He must have thought there was some chance of his dying or he would not have purchased the protection. Had he died the first year he would have left an insurance estate of $1,000, plus the "investment" of $22.30 or a total of $1,022.30. Should he have died the 20th year he would have left an insurance estate of $1,000 and a cash estate of $774.25, or a total of $1,774.25, instead of $1,000 under the endowment plan, or an average excess estate for the whole 20 years of $398.27.

Had "B" at the end of 20 years desired to continue the $1,000 death claim under the ordinary life plan, the interest on the investment of $774.25 would pay the annual premium of $22.20 and leave an excess

of $16.51 annually for life and upon his death he would have left an estate of $1,774.25.

Under the endowment plan, if "B" was going to live for 20 years in order to receive the endowment of $1,000 he would certainly be very foolish to squander $14.25 yearly for protection. Had he invested the $44.50 yearly at 5 per cent at the end of 20 years he would have had $1,545.04, instead of $1,000 under his "endowment investment."

If he is going to die in the 20 years in order for his beneficiary to receive the protection "B" would be equally as foolish to pay money for an endowment that he was going to die and lose.

Let us suppose that "A" after purchasing a $1,000 death claim on the ordinary life plan for $22.20, had died the first year. He would have left for his beneficiary $977.80 more than he had paid the company. Had "B" died the first year after having purchased his $1,000 death claim on the endowment plan for $44.50 he would only have $955.50 more for his beneficiary than he had paid the company. Now why should "B" be required to pay $44.50 for the same identical benefits that "A" purchased for $22.20? Supposing that "C" should purchase a $1,000 death claim and "investment" on the 10-year endowment plan for the average annual premium of $104.22 and had died the first year. He would only have left for his beneficiary $895.78 more than he had paid the company. Is there any plausible excuse to offer why "C" should pay $104.22 for the same thing that "A" purchased for $22.20?

Let us go a little farther with the alleged "investment" proposition as offered by the life insurance companies. Let us still assume that money is worth at least 5 per cent.

Had "A" paid 20 annual premiums of $22.20 and died in the latter part of the 20th year his $1,000 death claim would have cost him $770.78, therefore his

estate would have received a "profit" from the company of $229.22. Had "B" paid $44.50 for 20 years and died in the latter part of the 20th year his $1,000 death claim would have cost him $1,545.04, therefore his estate would have LOST $545.04. Had "C" paid 10 annual premiums of $104.22 and died in the latter part of the 10th year his $1,000 death claim would have cost him $1,376.74, therefore his estate would have lost $376.74. Does it not seem to the reader that there is something wrong with the SYSTEM as it is now operated?

264. Life Insurance Companies Are Poor Savings Banks.

Are not the above illustrations enough to convince the reader that the "investment policies," sold by the life insurance companies, are not "profitable investments?" Are not these illustrations enough to convince the reader that a life insurance company is a very poor excuse for a savings bank? If the life insurance company wants to do a savings bank business, why don't they secure a charter and conduct the business right?

It is only reasonable to suppose that if the officials in charge of the several state departments considered that a life insurance company was doing a savings bank business the state officials would force them to secure a charter which would bring them under the supervision of the state.

When a thorough analysis is made of the investment and savings policies, it can readily be seen that the system as it is now operated does NOT afford a plan whereby the industrious hard-working policyholder can properly invest his savings.

265. Let the Life Insurance Companies Run a Savings Bank.

If a life insurance company wishes to operate a savings institution why would it not be best for them

to secure a charter, which would place them under state supervision, and also place them in a position to compete with the legitimate savings institutions?

In order to illustrate the great benefits the policyholder may be able to enjoy under this plan, let us suppose that the several life insurance companies were permitted by law to operate a legitimate savings bank.

Let us suppose that "A" desired to carry some protection for his family should he die and also save some money which he would be able to enjoy in the future should be live. Under the present system of life insurance and savings he would undoubtedly purchase a 20 year endowment policy. A $1,000 endowment policy will be used for illustration.

266. Introductory Explanations.

Should "A" desire to leave $5,000 for his family in case of his death and have $5,000 for his own use should he live 20 years it will only be necessary to multiply these results by five (5) in order to ascertain the proportionate results. The same rule may be applied where $10,000 or more may be desired.

As "A" desired to purchase protection and "investment," in order to secure as good an "investment" as possible, paying the largest amount of money at the end of twenty years, not to his family should he die, but to himself should he live, he would undoubtedly select the participating or "dividend" paying form of policy, and still be actuated by that same desire to have a large amount of money at the end of 20 years, which the agent of the life insurance company would ESTIMATE he would be able to receive at the end of 20 years, he would very likely have the policy written on the "deferred dividend" plan.

Let us suppose that "A" was 35 years old. It is only fair to place the age at 35, as this is the average age of persons purchasing insurance. In order that no partiality may be shown in this illustration the

average premium will be adopted. Some companies may charge more and others less.

As it will be necessary to use the non-participating rate in this illustration and as practically all of the leading well established life insurance companies selling non-participating insurance are operating on the 3½ per cent basis, this basis will be here used. This will enable "A" to purchase his protection in a thoroughly reliable company for the smallest net cost to him.

Let us suppose that the savings bank operated by the life insurance company will pay 3 per cent on its deposits, as practically all of the largest and most substantial banking institutions pay 3 per cent interest on their savings deposits.

By adopting the 3½ per cent basis for the life insurance company and 3 per cent interest basis for the savings bank will not conflict in any way. While the savings bank and the insurance company are being operated by the same set of officers the two institutions will be operating under two separate and distinct charters. We will suppose that when any premiums are paid to the life insurance company the officers will see that the insurance company receives the amount of premium required for protection and the balance will be turned over to the savings bank department.

267. Illustration.

To best illustrate the future results to be obtained under the two different plans, let us suppose that "A" purchased a $1,000 death claim upon the 20-year endowment plan for the average annual premium of $50.63. This plan will furnish the protection and "investment" under one contract hereinafter called the endowment policy.

He also purchases a $1,000 death claim on the ordinary life non-participating plan 3½ per cent basis for

the average annual premium of $22.20 and the balance of the $50.63, which is $28.43, is deposited with the savings bank bearing 3 per cent interest.

Under the endowment policy should death occur during the 20 years "A's" beneficiary will receive $1,000. Should "A" live to the end of the 20th year the policy will guarantee $1,000 in cash for surrender together with the accumulated "dividends," if any, and the deal will be closed. Should "A" desire insurance after that time he will be required to pass a re-medical examination and purchase his insurance under some new policy for the premium required for his attained age of 55.

Under the savings bank plan should death occur during the 20 years "A's" beneficiary will not only receive the $1,000 death claim payable under the ordinary life policy, but in addition thereto each yearly deposit made of $28.43, plus the interest increments to date of demise. Should death occur the first year the beneficiary will receive the $1,000 death claim, plus the savings or investment of $28.43, or $1,028.43. Should death occur the 20th year the beneficiary will receive the death claim of $1,000, together with the accumulated savings of $786.65, or a total of $1,786.65, or an average excess estate for the whole 20 years of $407.54.

Should "A" live to the end of the 20th year and not need the $1,000 insurance protection and wish to surrender the same, the ordinary life policy will have a cash surrender value of $310.75. This amount, together with the accumulated savings of $786.65, will give a guaranteed total of $1,097.40 or a guaranteed excess cash of $97.40 over the endowment plan.

Should "A" need the $1,000 insurance or protection after the 20th year, the interest on the accumulated savings of $23.59 will more than pay the premium of $22.20 and upon his death "A" will leave a total estate of $1,786.65, and the cash value of the ordinary

life policy will be increasing each year by the payment of the premium from the interest on the savings just the same as were the premiums paid outright by "A". Should "A" live to age 70 and wish to close out his deal for cash the cash value of the ordinary life policy will have increased to $598.04, which, together with the savings of $786.65, will give a total cash estate of $1,384.69.

Let us suppose that "A" at age 55 would still be able to pass a satisfactory medical examination to secure new insurance. The interest worth of the cash he would receive at the end of the 20th year under the endowment policy would NOT purchase sufficient insurance at the premium for his advanced age to leave an estate of $1,786.65 upon his death.

Now let us suppose that "A" should become financially embarrassed any year and be unable to continue paying for his insurance and investment. For illustration we will take the fifteenth year (any year after the third will produce proportionate results). Under the endowment policy he would be obliged to adopt one of the following plans:

First—Surrender the policy for its cash value of $674, together with any accrued "dividends" and by so doing, he will also be surrendering the protection and should "A" desire protection it would be necessary to pass a medical examination and secure a new policy. Second—borrow from the company the amount of the accumulated reserve, $674, to pay the remaining premiums. This would reduce the death claim to $326. 'A" would also be required to pay 5 per cent interest on the loan, for the use of his own money. The interest on the loan of $33.70, together with the premium of $50.63, would make the total yearly cost $84.33, not for the original $1,000 death claim, but for a death claim of only $326. Of course by adopting this plan "A" would not reduce any "DIVIDENDS" he might receive on the policy at the end of the 20th

year. Third—cease paying any further premiums and request the company to extend the $1,000 death claim as term insurance for the next 5 years, as provided in the policy, and should "A" live to the time the original endowment would have been payable, the term policy would have a cash value of $758. This plan of settlement should be adopted by all means in relieving "A" of his most objectionable form of policy.

Under the savings bank plan the accumulated savings the 15th year would amount to $544.71. He could cease paying the investment part of the premium of $28.43 and the interest worth of the accumulated savings would only lack $5.86 of paying the premium on the full $1,000 death claim, or, first, surrender the ordinary life policy for its cash value of $219.15. This amount with the accumulated savings of $544.71 would give a total cash of $763.86 instead of $674, or an excess cash of $89.86.

Should "A" desire insurance at this time he need not surrender the ordinary life policy, as this would be furnishing permanent insurance for the smallest net cost; second, borrow from the company the amount of the accumulated reserve of $219.15 on the ordinary life policy. Withdraw $454.85 from the savings account; $219.15, plus $454.85, equals $674, the amount of the available cash he would have on the endowment policy. "A" would also have $89.86 left in the savings account. Five per cent interest on the $219.15 secured from the insurance company of $10.95, plus 3 per cent interest on the $454.85 taken from the savings account of $13.64, will give a total interest cost of $24.59. Deducting the interest worth of the $89.86 in the savings account of $2.69 yearly will leave a net interest cost of $21.90 for the use of $674, instead of $33.70 on the endowment policy. The interest cost of $21.90, plus the insurance premium of $22.20, which is $44.10, represents the total yearly cost for a death claim of $780.85. This amount, together with the

$89.86 in the savings bank, would leave a total estate of $870.71 should "A's" death occur. Therefore "A" would be paying $84.33 for a death claim or estate of $326 under the endowment policy as compared with $44.10 for a death claim or estate of $870.71 under the savings bank plan.

By withdrawing $454.85 from the savings account "A" would be losing the 3 per cent interest thereon. The loss of the 3 per cent interest of $13.64 produces the same result as though he had received the same and paid it out again for the use of the $454.85. Third —Should "A" simply cease paying premium under the savings bank plan and wait for five years for his cash the same as shown in the third example under the endowment plan, the results would be as follows:

The ordinary life policy would have a cash surrender value of about $192.40 after extending the insurance for five years. The accumulated savings plus their interest worth for five years, would amount to $631.48. Surrender the ordinary life policy for $192.40, together with the savings accumulations of $631.48, would equal $823.88, as compared with $758 on the endowment policy or an excess of $65.88.

Again let us suppose that "A" had purchased his protection and investment under the savings bank plan and after the tenth year he would be unable to pay the $50.63 for protection and investment. Should this condition arise the protection would be needed all the more for his beneficiaries.

In order to pay the premiums of $22.20 annually authorize the savings bank to transfer this amount from the savings account already accumulated to the insurance company, and by so doing the full $1,000 death claim would be kept in force without placing a lien upon it, and the $22.20 so transferred would increase the cash value of the insurance policy. By keeping the savings element of the premium separate from the protection element "A" would not be pay-

ing off more of his death claim than he should be required to.

The cash value of the ordinary life policy the tenth year is $135.76 and the 11th year it is $151.65, or an increase of $15.89. By transferring $22.20 of the savings to pay the premium on the insurance policy "A" had enhanced the value of his insurance policy $15.89, therefore it had only actually cost him $6.31 to carry the $1,000 death claim for this year. The interest worth of the accumulated savings after the $22.20 premium is deducted ($313.55), which is $9.40, will pay the actual cost of the insurance of $6.31, and leave an excess of $3.09. The interest of the accumulated savings will be more than paying the cost of the $1,000 death claim. During the five years he will leave an insurance estate of $1,000 under the endowment policy and under the savings bank plan he will leave an insurance estate of $1,000, together with the already accumulated savings of $544.71, plus the interest worth of the savings yearly to date of demise.

It may not be possible for the investment seeker to find a life insurance company operating with a savings bank in connection, but the above illustrations should be enough to show the fallacy of purchasing the high-priced "investment life insurance policies" for a legitimate investment. Anyone seeking an investment in connection with protection should purchase the protection of a protection furnishing company (life insurance company) at the smallest net cost to the insured and invest the investment part of the premium with an investment furnishing company (bank, savings bank or trust company or the securities they may have for sale paying 5 or 6 per cent), thereby securing the most protection and investment for the money paid for the same, consistent with reliable and substantial business principles.

268. Insured Should at Least Deposit His Savings in a Savings Bank.

Of course it is not absolutely necessary that the savings bank should be run in connection with the life insurance company. While it might be a little more convenient for both the insured and the beneficiary, yet the insured should certainly be able to find some banking institution in which to deposit or invest his savings. If the insured must be "forced" to save his money he could probably make arrangements with the savings bank whereby he could deposit the amount of the premium to be paid for protection and investment and the bank would undoubtedly go to the trouble of remitting the amount of the premium to the insurance company in order to secure the savings account. If the insured really must be "forced" to save his money he could very easily instruct the bank to refuse to return his savings unless he deposited each year the amount required for the life insurance premium and the savings. The bank would undoubtedly enter into such an agreement as this, as the life insurance companies do.

Of course it would be more convenient for the beneficiary to have the insurance company and the savings bank run in connection. When the beneficiary desired to collect the death claim and also secure the savings account, the bank book and the life insurance policy could be sent to the company at the same time in the same envelope. This advice is only given as a suggestion and not as a command.

269. Life Insurance Business Should Be Reformed.

The above illustrations must certainly be interesting to the reader, who has purchased the high-priced "investment insurance," when he notes the great advantages to be obtained where the protection and savings bank plan is adopted instead of the present form of endowment policies. While it may be true that

but a small number of policy-holders, comparatively speaking, die during the latter years of the endowment period, who have purchased the endowment policies, yet when we calculate the vast sums of the "investment" policy-holders' money, which is constantly being jeopardized to loss by death, and the true "dividends" to be realized being so small, if any, should clearly show that there is great opportunity for reform in the present method of conducting the life insurance business.

Where the high-priced "investment" forms of policies are purchased, it must be considered better luck than management that greater losses do not occur to the insured's beneficiary or estate caused by death. A man who is careful of the consequences of the TOO ALLURING enterprises, or careful not to act when the end is of doubtful utility, or probably impracticable, is NOT investing his money in "investment life insurance."

270. Company and Policy-Holder Protected.

If the above plan was adopted for conducting the life insurance business, the company as well as the insured would be protected. If the insurance companies really "force" their policy-holders to save their money, by adopting the above plan the policy-holders would be "forced" to save their money without assuming too great a portion of their own death claim, thereby subjecting their savings to loss by death. The field of operation would be increased instead of lessened and the insured could honestly be induced to purchase his protection and investment from the same company, so to speak.

The time may come when the savings or "investment" idea may be divorced from, or properly connected with, the life insurance business, but not until the insuring public knows enough about life insurance to refuse to purchase anything but life insurance from a life insurance company.

271. Another Injustice.

This would be an opportune time to explain another one of the gross injustices practiced by life insurance companies. Any premium paid to a life insurance company to create the cash value or self-insurance fund or to create an "investment," is to be increased by its interest worth on a 3, 3½ or 4 per cent basis, as adopted by the company, and any amount of money the insured is able to secure from the company on the sole security of his policy is simply the insured's own cash plus its interest worth and any money paid to a life insurance company to create such self-insurance fund or "investment fund" does NOT increase the death claim. It is simply an amount of money left with the company to purchase some future benefit providing the insured lives to the end of the specified time when he is to receive such benefit.

Should the insured become financially embarrassed and desire to secure from the company the excess money together with its interest worth, left with the company to purchase possible future benefits, the company will charge the insured 5 per cent for the use of his own money, therefore the insured is required to pay an extra tax of 2 per cent for becoming "hard-up" and wishing to secure the use of his own money. This 2 per cent tax is disposed of by the companies on the following plan: First, should the policy be purchased from a participating company on a 3 per cent basis, this 2 per cent tax goes into the excess interest earning "pot" to be divided among all of the policy-holders in his class; second, where the policy is purchased from a non-participating company on the 3 per cent basis, the 2 per cent tax goes to the company to help pay managing expenses. In the first instance the policy-holder, who is not compelled to borrow his money from the company, secures unjust tribute from his brother policy-holder who is compelled to withdraw the cash value of his policy. In the second instance

the policy-holder who becomes "hard-up" is required to pay to the company more than his adequate share of managing expenses. Does this seem just? Is this not discrimination? Does this verify the statement made by the companies "that they always give their policy-holders a fair and equitable deal?" Why do not all the companies operating on the 3 per cent basis charge the policy-holders 3 per cent for the use of their own money? Or the companies operating on the 3½ or 4 per cent basis charge their policy-holders 3½ or 4 per cent for loans secured?

It is not unjust to charge 5 or 6 per cent interest where a legitimate loan is to be secured from the company, because anyone securing such loan would be compelled to pay 5 or 6 per cent interest to secure a loan from any other financial institution. Should the policy-holder, who has left his money with an insurance company to accumulate at 3, 3½ or 4 per cent for future use, be compelled to pay the company 5 or 6 per cent for the use of the same should he be compelled to withdraw it?

272. Policy Reserves Not a Bank Account.

The agents of the life insurance companies never lose the opportunity to impress upon the mind of the prospective purchaser that a loan may be secured upon the sole security of the policy should the insured become financially embarrassed at any time.

The strong argument used in the sale of high-priced insurance is, "that the insured will have a large amount of money which may be drawn on at any time to tide the insured over financial difficulties," but the agent does not explain to the insured that by withdrawing the excess cash accumulations he is reducing the death claim should his death occur.

The lower priced policies with their reduced self-insurance fund do not offer the glaring inducements for the insured to withdraw the same.

273. "Safety Clause."

Some companies are now inserting in the loan agreements in their policies what they term a "safety clause," i. e., the company reserves the right to defer the making of a loan to the insured on his policy for from 3 to 6 months. In order for a life insurance company to realize large interest earnings on their loans, it is necessary to make long time loans.

Where the policy-holder has purchased the high-priced "investment" policy with its large cash surrender values and he looks upon these values as his bank account to be drawn on for temporary needs, the insurance companies will be compelled to draw on their long time investments to comply with the loan provisions of the policy when the funds reserved for immediate use have become exhausted. Is it not a good indication that this condition is close at hand when a life insurance company is compelled to insert a "safety clause" in their loan agreements?

274. Should "Safety Clause" Policy Be Purchased?

Policy-holders would be most likely to draw upon their insurance company bank during a financial panic. Would the insured deem it a prudent act to purchase his "life insurance investment policy" from a company which was compelled to protect itself by the "safety clause," thereby being unable to secure his money on short notice?

275. Insured Should Protect Himself.

By purchasing the insurance protection upon the lower costing plan and placing the investment part of the premium with a banking institution, which is conducting its business in a way to meet these emergencies, or investing the investment part of the premium in reliable bonds, which may be negotiated at any time, the insured will avoid having his money held up by the life insurance company.

A life insurance company can furnish almost unlimited benefits to beneficiaries, by perpetuating the income of the producer and also by giving the insured the satisfaction of knowing those dependent upon him are protected and the beneficiaries the satisfaction of knowing they are protected, yet there are many methods and practices resorted to by the officers of the life insurance companies in order to induce the sale of life insurance which is causing the loss of millions of dollars annually to policy-holders and their beneficiaries. As it will be many years before laws will be passed, which will in all ways protect the policy-holders, if the insured wishes to be protected he MUST protect himself.

The insured can only protect himself by gaining sufficient knowledge of the life insurance policies to know what to buy and how to buy it.

CHAPTER XIII

HOW TO PURCHASE LIFE INSURANCE

276. The Selection of a Policy.

Where a life insurance policy is to be purchased the first important point to be decided by the purchaser is WHAT benefits are desired. Life insurance was primarily designed to afford protection and where this protection is afforded it must be paid for. If the life insurance policy is purchased for protection it should be purchased at the smallest net cost to the insured and if purchased for protection for the smallest net cost, the insured will receive full value for the premiums paid.

277. Cost.

In calculating the cost or the amount of premium the company must receive under any form of policy to be issued, the first element taken into consideration is the mortality expense, and the mortality expense element of the premium is the amount of the policyholder's share of the fund to be paid to the beneficiary upon the death of one of the other policy-holders called insurance. There is no form of policy issued by any life insurance company which does not contain this element of expense, therefore if the purchaser of insurance has no one to protect or no interest to protect against loss of his productive worth he has nothing to insure and that portion of the premium paid to the company to meet the mortality expense will be a total loss to the insured.

Where a life insurance policy is purchased for "investment" the mortality element of the premium must be paid just the same and a life insurance company

is not permitted by law to issue a contract which does not contain the mortality expense element in the premiums to be received, and should a life insurance company issue any form of policy which did not contain the mortality element of expense it would not be conducting its business in accordance with the terms of its charter.

278. Mortality Expense Element Destroys "Investment" Feature.

Where a life insurance policy is purchased for "investment" or to afford a place for the insured to deposit his savings the mortality expense element of the premium is so large that it destroys the "investment" feature and is too expensive to warrant the insured in adopting this method of accumulating his savings.

299. Don't Use a Life Insurance Company for a Savings Bank.

It is very unwise for a person to join an organization and contribute money to be paid to a beneficiary upon the death of one of its members in order to secure a place to deposit his savings. If the insured CANNOT invest his savings he can at least deposit them with some bank or trust company, which will pay 3 or 4 per cent interest for the use of the savings, and should the insured die in the meantime his savings will NOT be lost to his estate.

280. Time.

Where a policy is to be purchased to afford protection the next point to be considered is, "how long will this protection be needed." The protection can be purchased for a limited number of years or for the whole of life, which is, according to the American Table of Mortality, the years from the age of the insured at the time the policy is purchased to age 96. If the purchaser only desires the protection

for five, ten, fifteen or twenty years to protect his business interests or to protect his children until they become self-supporting, there is no use purchasing the protection for the whole of life, which is 61 years where the policy is purchased at age 35. Every year the policy is carried the insured must pay his share of the mortality expense and expense of management until the age of 96. If you only need protection for 20 years, what is the use of paying for 61 years? If you are undecided as to the number of years the protection may be needed, purchase the protection upon the whole life continuous premium plan, which will afford the protection at the smallest net cost, because the insured can surrender the policy at the end of any year and he will be only required to pay for the years the protection was actually afforded. If the insured should decide that he did not need the protection after the 20th year, the policy can be surrendered and the excess money, which the insured paid to the company in order to be able to pay a level premium or an equal amount each year, will be returned to the insured.

281. Surrender Fee.

Where the policy is purchased on the non-participating plan, a small surrender fee may be charged where the policy is surrendered during the first years, because the amount contributed by the insured for managing expenses is very small, and in order to offset the initial expense entailed in placing the insurance on the books of the company, it is necessary to charge a small fee for surrender.

Should the insured know positively that he will not need the protection for more than ten, fifteen or twenty years the renewable term policy should be purchased as explained in Chapter VI, and yet if the insured is unable to earn more than six per cent with his money, on account of the cash surrender value of

the whole life continuous premium policy after the third year, the whole life policy will furnish the protection at the smallest net cost.

282. Ordinary Life Form May Be Changed to Other Forms.

Should the whole life continuous premium policy be purchased (at age 35) and the insured would discover after he had paid the ninth premium, that he was not going to need the protection longer than eleven additional years, or twenty years in all, he can pay no more premiums and take advantage of the "extended insurance" clause in the policy, and the company will carry the death claim for the next eleven years for the nine premiums already paid.

If the purchaser, after studying the foregoing explanations and illustrations, should still be of the opinion that a good, profitable and substantial investment could be secured by purchasing the high-priced "investment" forms of policies the author would suggest that the "5 per cent gold brick policy" should be purchased, as this will afford the greatest IMAGINARY investment for the premiums to be paid that the purchaser could secure, but on the other hand should the reader desire to purchase the needed protection in a conservative, business-like way, the whole life continuous premium policy should be purchased by all means, because this form of policy can be converted to the lower priced term insurance or changed to the single premium or limited payment, or even the high-priced "investment" forms at any time desired at the smallest net cost to the insured, and this can be done without a medical re-examination.

283. Adequate Premium.

The average gross premiums given in the following table for a $1,000 Permanent Standard Death Claim are fair and adequate to both the company and the

insured. Some companies charge a little less and some considerable more, but where a non-participating company charges more than a few cents per $1,000 than the rates here given it is unnecessary and should not be paid.

Average Gross Non-Participating Premium for a $1,000 Permanent Death Claim.

21—$15.39	31—$19.72	41—$27.14	51—$40.71
22— 15.73	32— 20.29	42— 28.14	52— 42.61
23— 16.09	33— 20.89	43— 29.21	53— 44.63
24— 16.47	34— 21.53	44— 30.35	54— 46.78
25— 16.87	35— 22.20	45— 31.57	55— 49.08
26— 17.28	36— 22.91	46— 32.86	56— 51.54
27— 17.72	37— 23.66	47— 34.23	57— 54.16
28— 18.18	38— 24.45	48— 35.70	58— 56.97
29— 18.67	39— 25.29	49— 37.27	59— 59.97
30— 19.18	40— 26.19	50— 38.93	60— 63.18

Where an annual premium is paid to the company for a $1,000 death claim in excess of those shown above, it will be paid for excess reserve or self-insurance fund, "dividends," "investments" or additional contributions for expense of management, all or any of which is not only unnecessary, but unprofitable to the insured.

284. Insured Must Pay for Additional or Imaginary Benefits.

If the purchaser wants large "dividends" pay in large amounts to be returned at some future time as "dividends." If the purchaser wishes to cease paying premiums at any time, he can pay it all in one premium, or any number of additional premiums he may desire, thereby paying for his insurance in advance to age 96, whether he lives to be required to make such payments or not. There are only three persons out of 100,000 who live to age 96.

If the purchaser wants an "investment" figure on

about how much he would like to receive as an "investment" and pay the money accordingly, as there is no limit to the amount the company will pay on an "investment policy" providing the purchaser will pay the money to the company to be returned as an "investment," or the purchaser may contribute as much in addition to the amount already contributed for managing expenses on the whole life continuous premium policy as he may feel in a position to pay, as the companies are not liable to refuse any money so contributed, and by adopting any of these plans the purchaser may feel assured that he is receiving the SMALLEST amount of protection for the GREATEST amount paid for the same.

285. Net Premiums.

By referring to the table of net premiums in Article 331 the reader can determine the net premium required for the different forms of policies and by deducting the net premium on the different forms, from the premiums required on the policy to be purchased, the purchaser can determine the amount to be paid for expense of management upon the non-participating forms or the amount that SHOULD be returned as "dividends" on the participating forms.

286. Surrender Values.

By referring to the table of surrender values under Articles 332 and 333, the purchaser can determine the amount he should receive for each $1,000 of death claim purchased, should he desire to surrender the policy any year, generally after the third. If the cash value shown in the policy is not equal to the amounts given in the table of surrender values for the years stated, the difference in the surrender values represents the amount charged for surrender. There are a few, and but a very few companies, either on the participating or non-participating basis, who do not charge a fee for surrender up to the 10th or pos-

sibly 15th year of the policies. The purchaser should then refer to the explanation of the different conditions, privileges and restrictions in Chapter XIV and carefully compare the same and see that there are no misleading statements made, the most of which will be explained, and "check-up" all of the conditions in the policy to be purchased and see that none are omitted.

287. How to Select the Policy.

Now that the purchaser has ascertained what the policy is to be purchased for, the number of years it should be written to cover, fair and equitable premium to be paid for the same, the purchaser should then select the company which will meet all of the above requirements. If the policy under investigation should not fulfill the desired requirements a copy of the "Handy Guide" published by the Spectator Company of New York, or a copy of the "Vada-Mecum," published by Flitchcraft at Oak Park, Illinois, could undoubtedly be borrowed from some local life insurance agent. Either one of these publications will furnish the premium rates, cash surrender values and sample policies of practically all the life insurance companies. If the reader is unable to borrow temporarily one of these publications it would be a very profitable investment to purchase the same. The "Handy Guide" may be secured for $2.50 or the "Vada-Mecum" for $1.25. This will give all of the information desired from a thoroughly reliable source. After the company has been selected the reader should write the company stating his age at nearest birthday and the form of policy desired, and the company will be only too glad to send a sample policy, which will be an exact duplicate of the policy to be purchased.

Where a policy is to be issued on the 3½ per cent basis the cash surrender value or self-insurance fund

will be a little less than were it issued on the 3 per cent basis. The premium rates should be less on the 3½ per cent basis than the 3 per cent, yet there are some companies operating on the 3½ per cent basis that charge a higher premium than some of the companies operating on the 3 per cent basis. While practically all the non-participating companies are operating on the 3½ per cent basis their premiums are less and their cash surrender values are less than the companies operating on the 3 per cent basis. The purchaser should not be misled by the large cash surrender values. The premium rates should be considered. Insurance should NOT be purchased for money to be returned to the insured at some future time, as he may never live to receive this money.

288. How Policies Should Be Written.

Where the insured is contemplating the purchase of a large amount of insurance, it might be advisable to purchase the same in two or three different companies. Where $5,000 of insurance is to be purchased from the same company, it should at least be written in two policies of $2,500 each. If $10,000 or more is to be purchased it should be written in multiples of $2,000. Should the insured for any reason wish to surrender any portion of his insurance, it can be very easily done when issued in this way. Should the insured become financially embarrassed and be required to surrender a portion of his insurance, any number of the policies may be surrendered for their cash value and the actual insurance will have been reduced only to the extent of the difference between the cash value and the death claim value of the policies so surrendered.

289. Size of Company Does Not Necessarily Indicate Strength.

The purchaser should bear in mind that a large company is no stronger financially than a small com-

pany. While it is true they may have more insurance in force, yet their liability will be just as large in proportion and while their surplus fund may be a great deal larger, yet the larger companies have invariably been in business a great many more years, therefore there will be the same proportionate liability against this fund and should all of the money to which the policy-holders were entitled to been returned to them, these large surplus funds would not exist, or should the company not have charged a great deal more for their insurance than it actually cost to carry the same these large surplus funds would have never been created. It is not uncommon to hear a life insurance agent boast of their enormous surplus fund, where if he thoroughly understood how it was created he would very likely keep still.

290. Participating or Non-Participating Insurance.

If the reader is thoroughly convinced that the participating company will furnish his protection at a smaller net cost to him than a non-participating company, the insurance should be purchased on the participating plan. Where the participating policy is selected it should be written on the annual "dividend" plan. The purchaser should be very sceptical of the estimates placed on the "dividends" to be paid, by the agent, as "estimated" amounts are invariably in excess of the amounts actually paid. It is very easy for the agent to "estimate" large "dividend" returns in order to secure the sale of a policy and after the policy is purchased, "the premiums paid and the agent gone," the policy-holder is generally left to "watch and wait."

291. Printed Statements Should Only Be Accepted.

The most reliable life insurance agents only furnish the printed statements of the actual "dividends" paid, which statements are sworn to by the officers of the company, and the purchaser should only use such

printed statements in calculating the future cost of his insurance.

292. Why Should a Charge Be Made for Participation?

At age thirty-five of the insured the average premium charged by the participating company in excess of the average premium charged by the non-participating company, both on the 3½ per cent. basis on a whole life 20 payment policy is about $6. This $6 represents the charge made for participation. The strong argument used by the agent of the participating company is, "that the 'dividends' the insured will receive upon his participating policy will reduce the premium below that charged by the non-participating companies," and the agent will exhibit a vast array of "statistics" actually proving this to be true. The agents of the participating companies are ever proclaiming the fact that "the non-participating rate is too high, that the company which is dealing in futures, as it were, charge more than is actually required to carry the insurance," and this MUST be true because the agents of the participating companies say that it is and the officers of the participating companies instruct their agents to use these arguments. Now granting this to be true, why is it necessary for the participating company to charge the insured $6 annually for each $1,000 of death claim issued as above stated, in order to permit the policy-holder to participate in the "dividends or profits" of the company? If the non-participating rate is too high, why do not the participating companies charge the non-participating rate and say to their policy-holders, "this rate is too high we will give you a liberal dividend, which will reduce the cost to what it should be?" Is this illustration not enough to prove to any fair minded person, the fallacies of the "dividend" paying system of life insurance?

293. Insured Should Never Accept Rebates in Any Form.

A policy which offers a rebate or a portion of the first or subsequent premiums, should never be purchased, as this is prima facie evidence that the premiums charged are in excess of the actual premium required to produce the guaranteed benefits provided for by the policy. Many policy-holders have purchased these forms of policies on account of the rebate offered and it was for this purpose that the high premium was charged to afford this rebate. In every community there is always the person who is patiently waiting for some bargain of this kind to "show up," and the person that purchases them generally gets the bargain —not.

Where the purchaser uses the rebate for a basis for purchasing his life insurance he is beginning at the wrong end. The net premium should only be used as a basis. Where the rebate is offered by the agent the policy should never be purchased. One of the principal conditions upon which the policy is issued is, "that the first premium must be paid in full," consequently when the policy-holder accepts a rebate upon the first premium, he invalidates his policy absolutely. See Article 302. Is it not fair to presume that the agent who would be dishonest enough to offer a rebate, would carry his dishonesty one step farther and inform the company that such rebate had been made should the death of the insured occur during the first year, thereby invalidating the insurance? If the insured purchased the policy with the intention of carrying the same, it would be a great deal more sensible for him to keep the portion of the first premium he had actually paid and wait until the time the second premium would become payable and then purchase his insurance and pay for it in a way which would not invalidate the same according to the conditions of the policy. Anti-rebate laws have been passed by

almost every state in the union, nevertheless there is a great deal of rebating being done.

294. Acts Held as Rebating by the Courts.

There are a great many schemes adopted by the agent and the insured to avoid the anti-rebate law. Notes are given by the insured for the payment of the first premium, as evidence that the first premium was paid, with the distinct understanding that such notes were to be returned to the insured, by the agent, unpaid. It is not uncommon for the agent to allow the insured certain remuneration for furnishing the agent a list of the names of the prominent men of the community in which the insured resides, such remuneration to act as a rebate or a refund of a portion of the first annual premium upon the policy, which the insured must purchase in order to receive such remuneration. In every case, where these acts have been tried in court, the judges have decided that these acts are rebating, as it is intent and not the acts that constitutes the crime. No reliable life insurance agent will offer a rebate, because he knows he is violating the law when he does so, and if the agent will violate the law in one way it is an even guess that he will violate the laws in other ways. How can the purchaser expect to receive a correct explanation of the life insurance policy to be purchased from an agent who is dishonest enough to offer him a rebate?

295. The Companies Prohibit Rebating by Their Agents.

The insurance companies are doing everything possible to stop the rebate evil. The agent should be punished to the full extent of the law for offering a rebate. The insured is punished for accepting a rebate, by the loss of any portion of premium which is paid in cash as the policy is absolutely voided, therefore the insured punishes himself and he should not hesitate to

allow the law to punish the agent. A premium, a portion of which has been rebated, not only buys the insured nothing, but is, in many instances, instrumental in inducing the insured to purchase a very objectionable form of policy.

296. Purchaser Should Not Accept a Special Inducement.

The reader should never be induced to purchase a life insurance policy under any special inducement or "because the company is going to cease issuing the certain form of policy." No company is going to stop issuing any legitimate form of life insurance policy. If the company is going to "stop issuing" any certain form of policy it is because it is so objectionable that the State Insurance Department has stopped its issue.

297. Square Dealing Best for Company and Insured.

There are a great many policy-holders who would purchase additional insurance and there are also a great many who are not carrying life insurance, who would do so, if they knew they were going to receive a fair and equitable policy.

298. Purchaser May Prevent a Rejection.

There are many instances where applicants have applied for insurance under a certain form and have been rejected by the insurance company on the grounds that the applicant's family record, physical, financial or moral condition or occupation did not come up to the standard established by the company and a complete list of the names of all rejected applicants are sent to all the companies belonging to the Association of Life Insurance Underwriters, setting forth the reasons for the rejection, and it is sometimes hard for the rejected applicant to secure life insurance in any other company. Perhaps the reasons for rejection may

be well founded, yet in many instances they are not.

There are many persons who are first class risks and would be accepted by most any reliable life insurance company, who would purchase insurance, but for the fear of being rejected. Where the applicant has reason to believe that there is a possibility of a rejection, a test application should be made without being signed by the applicant until the company, to which such test application has been made, has either issued the policy or assured the applicant that it will be issued, and if the company will not issue the policy the person cannot be listed as a rejected applicant where the application or medical report has not been signed. The applicant is at liberty then to make a test application to some other company.

299. Insurance Should be Carried.

Every man of moderate means, who has a family dependent upon him, should carry at least $2,000 of insurance. The smaller the income the greater is the demand for insurance protection. There is very little excuse for a married man to refuse to carry insurance. $2,000 of permanent standard life insurance can be purchased on the twenty year renewable term plan from thoroughly reliable companies for from $22 annually at age 21 to $36 at age 35 which is about $0.45 per week at age 21 and about 70 cents per week at age 35. Money must be at a very high premium where 70 cents per week is worth more to a man, who is able to work and provide for his family, than $2,000 would be worth to the widow and, in many instances young children, should the husband and father be taken away by the hand of death.

The whole life continuous premium and the renewable term forms of policies, afford the greatest amount of permanent insurance at the smallest net cost to the insured.

300. Insurance Paid by Surviving Policy-Holders.

Where insurance is purchased to afford protection, the purchaser should select the form of policy which would place him in the class in his company which will secure the greatest amount of insurance in the death claim, as the insurance is the part of the death claim which must be paid by the surviving policy-holders.

301. Cash Surrender Values Should Not be Purchased as They are not Insurance.

The self-insurance fund element of the death claim is NOT insurance and where the death claim contains a large element of self-insurance the actual insurance is correspondingly decreased. The only manner in which the large self-insurance fund may be created, is by the payment of the higher premiums, and the policy should NOT be purchased which will furnish large amounts, which are accessible to the insured.

If the insured desires to have a large amount of money for his own use in future years, purchase the insurance for the smaller premiums and either deposit the excess money required for the higher premiums in some bank or trust company, or invest the same in reliable mortgages or bonds and by so doing such excess money will NOT be lost to his beneficiaries or estate in case of death.

CHAPTER XIV

POLICY CONDITIONS, PRIVILEGES AND RESTRICTIONS

302. Premium Payments.

The premium payment clause in all forms of policies issued by legal reserve companies are very much the same and practically all contain the following conditions:

First. The payment of the first annual premium hereon is a condition precedent to the taking effect hereof, and this policy shall not become binding upon the company until the policy is delivered and said premium is actually paid during the life-time and good health of the insured.

Second. That all premiums are payable in advance at the home office of the company.

Third. That all receipts for premiums must be signed by some duly authorized agent of the company generally the president, vice-president, secretary or treasurer.

Fourth. This policy is based upon the payment of premiums annually in advance, but if premiums be made payable in quarterly or semi-annual instalments, any future instalments of the premium for the current policy year remaining unpaid at the maturity of the policy shall be considered an indebtedness to the company on account of the policy.

The plans adopted by most all life insurance companies for calculating the amount to be paid, where the premiums are to be paid semi-annual or quarterly are as follows:

To ascertain the semi-annual premium required add

4 per cent. interest thereon and divide by two (2). Thus an annual premium of $50.63 plus $2.02 equals $52.65 which divided by two (2) equals $26.33. To ascertain the quarterly premium add 6 per cent. and divide by four (4). Thus $50.63 plus $3.33 equals $53.96 which divided by four (4) equals $13.49.

303. Preliminary Term.

Some companies issue their insurance on what is called the preliminary term plan, and their policies contain the following clause.

"The first year's insurance under this policy is term insurance purchased by the whole or part of the premium to be received during the first policy year, and the policy shall be valued according to its terms and the laws of the state."

Explanation: Where any form of policy is issued on the preliminary term plan it is only necessary for the company to deposit with the state insurance department the first year, the reserve required for this form of policy, which is very small, generally ranging from $2 to $5 for each $1,000 death claim according to the age of the insured. The remaining yearly reserve deposits being enough in excess of the regular amounts deposited to equal the full reserve required at the end of the premium paying period.

304. Grace Period.

"A grace of thirty days will be allowed in the payment of premiums hereafter due on this policy during which time the insurance shall continue in force, provided always that whenever advantage is taken of the grace, interest at the rate of 5 per cent. per annum shall be paid to the company for the time deferred, but in case the premium is not paid in the said thirty days, according to the terms of this policy, this policy shall cease and terminate, except as otherwise herein provided. If death shall occur during the

period of grace, the unpaid premium for the current policy year will be deducted by the company in any settlement under this policy."

Explanation: The grace period adopted by all companies is practically the same. The above clause is here given, because it will be easily understood. While this clause in other policies may not read exactly the same, yet the principle involved is practically identical.

305. Reinstatement.

"This policy may be reinstated on written application therefore, subject to evidence of good health satisfactory to the company, and payment of unpaid premiums to date of reinstatement, with interest at the rate of 5 per cent. per annum."

Explanation: This reinstatement clause contains no limit of time the same may be reinstated. Some companies limit the time of reinstatement from two to five years.

It is not profitable for the insured to reinstate any form of policy after it has lapsed for one year or more. The company will not reinstate the policy unless the insured can pass a satisfactory medical examination, and if the insured can pass a satisfactory medical examination he can secure a new policy from any company.

Where the policy has been lapsed for one year, or more, the insured will be required to pay premiums for the years the policy has lapsed with interest at the rate of 5 per cent. per annum. There is no reason why the insured should pay premiums for years he has already lived, as the mortality and managing expense element of the premium will be a total loss to the insured.

New insurance can be purchased for the attained age of the insured a great deal cheaper than to pay for the years which the insured has already lived,

therefore a policy which has been lapsed for a year, or more, should never be reinstated.

306. Notices.

"The insured shall give prompt notice to the company of any change of residence or post-office address. Notice of each and every premium due, or to become due hereon at the date named is given and accepted by the delivery and acceptance of this policy, and any future notice required by law is hereby expressly waived."

Explanation: The policies issued by some companies do not contain the above notice clause. Some States have passed laws requiring insurance companies to give their policy holders 30 days' notice of when the next premium will be due and payable upon their policy. Where the policy has been allowed to lapse by the non-payment of premiums and where the insured could establish the fact that this notice was not given, as required by law, it has been held by certain courts that the non-payment of premium when due, where notice had not been given, did not give the company grounds to lapse the policy.

This notice clause is only inserted in the policy where the company wishes to secure a waiver of the insured's rights, as given him by law. The insured should not purchase a policy containing this waiver, as it may be the cause of invalidating the insurance under the policy.

307. Incontestability.

"This contract shall be incontestable after one year from date of issue, except for non-payment of premiums. It is free from conditions as to residence, occupation, travel or place of death. No permit or extra premium will be required for military or naval service in time of war or in time of peace. This contract is

subject to the privileges and conditions recited on the subsequent pages hereof."

Explanation: This clause is perhaps one of the most important conditions in a life insurance policy. This form has been selected as the proper incontestable clause to be given in any form of policy. Some companies place the time, which the policy shall become incontestable, after two years. The one year time limit has been adopted by practically all the well established companies.

Some companies restrict the insured as to travel or change of occupation. Some companies require a permit or charge an extra premium, where the insured engages in naval or military service in time of war.

If the insured can secure a policy without these restrictions in just as reliable a company and for practically the same premium, why should he accept one which contains these restrictions? Is it not good business prudence to secure all you can for your money? If the prospective policy holder would study the conditions contained therein and refuse to accept a policy containing any adverse conditions, privileges or restrictions, competition would force the companies to omit them.

308. Statements, Representations and Contract.

"This policy together with the application, a copy of which is attached hereto, contains the entire contract between the parties hereto, and all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties, and no such statement shall avoid the policy or be used as a defense to a claim thereunder, unless it be contained in the application for the policy."

Explanation: This paragraph contained in practically all the policies, issued by all of the life insurance companies, is practically the same and is self-explanatory.

309. Age.

"If the age of the insured has been misstated the amount payable hereunder shall be such as the premium paid would have purchased at the correct age."

Explanation: This paragraph is practically the same as set forth in the contracts issued by all companies and is self-explanatory.

310. Agent.

"No agent is authorized to waive forfeitures or to make, modify or discharge contracts, or to extend the time for paying a premium."

This paragraph needs no comment as it is self-explanatory.

311. Assignment and Change of Beneficiary.

"When the right of revocation has been reserved, or in case of the death of any beneficiary under either a revocable or irrevocable designation, the insured, if there be no existing assignment of the policy made as herein provided, may, while the policy is in force, designate a new beneficiary with or without reserving right of revocation by filing written notice thereof at the home office of the company, accompanied by the policy for suitable endorsement thereon. Such change shall take effect upon the endorsement of the same on the policy by the company and not before. If any beneficiary shall die before the insured, the interest of such beneficiary shall vest in the insured."

Explanation: The rules adopted by practically all the life insurance companies are practically the same. As they are very explicit they require no special comment or explanation.

312.—Suicide.

"In case of suicide committed while sane or insane within one year from the date on which this insurance

becomes effective the limit of recovery hereunder shall be the premiums paid.''

Explanation: The plan of settlement adopted by the several life insurance companies are generally limited to the first year of the policy.

In case of suicide some return all the premiums paid, some return only the legal reserve, while others return nothing. The policy should be selected where the policy is unlimited after one year.

313. Dividends.

''This policy shall participate in the surplus of the company. The proportion of divisible surplus accruing on this policy shall be ascertained and distributed annually and not otherwise, and at the option of the insured shall, on any anniversary, be either (1) paid in cash; (2) applied toward the payment of any premium or premiums; or, (3) applied to the purchase of paid-up additions to the policy; or, (4) left to accumulate to the credit of the policy, with interest at the rate of 3 per cent. per annum, and payable at the maturity of the policy, but withdrawable on any anniversary of the policy. Unless the insured shall elect otherwise within three months after the mailing by the company of a written notice requiring the election of one of the four above options, the dividends will be applied to the purchase of paid-up additions (Option No. 3) which may be surrendered for cash at any time, and the cash value thereof shall not be less than the original cash dividend.''

Explanation: The above clause is practically the same in all forms of participating policies. The reader will note that this clause proports to allow the policyholder to participate in the earnings of the company.

By referring to Chapter XV the reader may determine what the insurance companies deem as ''dividends.'' By referring to Article 113 additional and

very important information will be found regarding dividends.

The "dividend system" as practiced by some of the life insurance companies is one of the greatest fallacies perpetrated upon the policyholders. If the insured feels that he MUST receive dividends upon his life insurance policy they should be withdrawn annually in cash. Dividends should never be left with the company to purchase what is called "paid-up" additions. These are only single premium deals and single premium insurance is the most objectionable form of permanent life insurance.

314. Loan.

"At any time after three full years' premiums have been paid and while this policy is in full force, the company will advance, on pledge of the policy and on sole security thereof, an amount which, with interest thereon to the end of the current policy year and with any unpaid portion of said year's premium, shall, at the option of the owner, be equal to or less than the cash surrender value at the end of such policy year including the cash surrender value of any dividend additions, interest on the loan will be at the rate of 5 per cent., payable annually; if interest is not paid when due, it shall be added to the principal and bear interest at the same rate. Failure to repay any such advance or to pay interest shall not avoid this policy unless the total indebtedness hereon to the company shall equal its cash surrender value, nor until one month after notice of such fact shall have been mailed by the company to the last known address of the insured and of the assignee of record at the home office of the company, if any."

Explanation: The above loan agreement is practically the same as issued by all legal reserve companies. The greatest material difference being in the insertion of what is called a "safety clause," which is being

used by many of the younger companies and a few of the older and larger companies.

Some companies insert their "safety clause" in a separate paragraph where it can clearly be understood by the insured, while other companies have this provision carefully concealed in the loan agreement and generally reads as follows:

"The company will loan within six months after written request."

This means that the company may defer the making of such loan for six months after receiving an application for the loan. Some companies only defer the making of a loan for three months.

This is a point of great importance to the insured as it is only fair to presume that the insured would only secure a loan upon his life insurance policy as a last resort, and where the insured desired to make such a loan he would undoubtedly want to secure the same on short notice, say within five or ten days, and where the insured desired to secure such a loan to "tide him over" some financial difficulty it would be a source of great inconvenience to the insured, or perhaps a considerable financial loss, to have the company defer the making of a loan from three to six months.

As a great number of the largest and best established companies do not insert this "safety clause," as it is called, the prospective purchaser should not under any consideration purchase his insurance of a company which reserves the right to defer the making of a loan upon the policy, or paying the cash for its surrender, for from three to six months. If the prospective purchasers would refuse to purchase a policy which contains the "safety clause" competition would force the companies to discontinue this practice and this would not be detrimental in any way to the company.

Where the insured simply desires to secure a prem-

ium loan upon his policy the company will make such a loan immediately upon request.

315. Cash Value or Non-Forfeitable Privileges.

"If any premium shall not be paid on or before the date when due, and if there shall be no indebtedness to the company, the insurance will automatically continue from said due date as term insurance during the term, including the grace period, specified in column 3 of the accompanying table; or in lieu of such term insurance, upon written request made by the insured within three months from said due date and surrender of the contract the company will, as the insured may elect, either issue a contract for the amount of paid-up insurance if any, specified in column 2 or pay the cash value, if any, specified in column 1.

If there shall be an indebtedness to the company, and if any premium shall not be paid on or before the date when due, an amount of insurance, equal to the face amount of this contract less the indebtedness, will automatically continue from said due date as term insurance, for the term, including the period of grace, which the excess of the cash value of the contract, if any, over the indebtedness will purchase at the then age of the insured, at the single premium rates according to the American Experience Table of Mortality, with $3\frac{1}{2}$ per centum interest. In lieu of such term insurance, upon written request made by the insured within three months from said due date and surrender of the contract, the company will, as the insured may elect, either issue a contract for the amount of paid-up life insurance which said excess will purchase at the then age of the insured, on the mortality and interest basis heretofore designated, or pay said excess in cash.

"The term insurance and the paid-up insurance specified above may be surrendered for cash and paid-up insurance shall be subject to cash loans.

"If the premiums on this contract shall be paid in

semi-annual or quarterly instalments, due allowance will be made in computing benefits from the above table for that portion of the year's premium paid over and above the full number of years' premiums indicated."

Explanation: The cash value or non-forfeiture clause issued by all legal reserve companies is practically the same, as they are in compliance with the state laws governing the same. The above clause is very clear and easily understood, therefore does not require any particular explanation.

MISCELLANEOUS POLICY CONDITIONS.

316. Renewable Term.

"The insured may renew this policy for further periods of ten (15 or 20) years each without medical examination, provided there has been no lapse in the payment of premiums, by written notice to the company at its home office before the expiration of any period of the insurance hereunder and by the payment in each year, on the dates above specified, of the premium for the age attained by the insured at the beginning of any such renewal period."

Explanation: The above renewable clause is fairly and properly written. This form of renewable clause will apply to a five, ten, fifteen or twenty year term policy.

The renewable term form of policy may be justly considered a form of permanent insurance, provided the insured renews the same as an ordinary life policy before the age limit of the company is reached for this form of policy.

The prospective purchaser of a renewable term should be very particular to note that the policy may be renewed WITHOUT a medical examination, the same as above. Some companies are issuing a form of policy purporting to be a renewable term policy, which

is a gross misrepresentation, because the renewable clause states as follows: "this policy will be renewed at the end of the period for which it is written, SUBJECT TO EVIDENCE OF GOOD HEALTH SATISFACTORY TO THE COMPANY," i. e. the company will renew the policy provided the insured is in good health, and he would be required to pass a re-medical examination in order to have the policy renewed.

If the insured can pass a satisfactory medical examination he can secure insurance from any company. Therefore the policy containing the above objectionable clause is NOT a renewable term policy, but simply a straight term policy and should not be purchased.

317. Convertible.

"The insured, provided there has been no lapse in the payment of premiums hereunder, may, on any anniversary, surrender this policy and, on written application therefor to the company at its home office, exchange it, without medical examination, for a participating life or endowment policy of not greater amount upon the form then in use by the company and at the then rate for age attained. Or, at any time within five years, provided there has been no lapse in the payment of premiums hereunder, the insured may surrender this policy and, on written application therefor change it, without medical examination, for a participating life or endowment policy of the same amount, as of the original date of issue, by the payment of the difference in premiums with interest."

Explanation: This convertible clause is properly written. Where a policy is written on the convertible term plan it may be exchanged on any anniversary of its date, for a death claim of an equal amount, written on any form which requires a higher premium.

Should this form of policy be purchased it should be exchanged for an ordinary life form whenever the

insured desires to secure permanent insurance. Insured should never convert this form of policy by paying the difference in premiums for the years carried in order to secure the insurance at the premium for his younger age, as the difference in the premiums and its interest worth will cost the insured a great deal more than were he to pay the premium for his attained age.

318. Total Disability.

"After one full annual premium shall have been paid upon this contract and before a default in the payment of any subsequent premium, if the insured shall furnish satisfactory proof that he has since such payment become wholly disabled by bodily injuries or disease and will be permanently, continuously and wholly prevented thereby for life from pursuing any and all gainful occupations, the company by an endorsement in writing hereon will continue the insurance in force during such disability without payment of premiums and the values in the table on page 2 shall increase in the same manner as if the premiums were paid by the insured.

"But the foregoing may be modified as hereinafter provided if such disability shall commence before the insured shall have attained the age of sixty:

"Upon the written request of the insured and of the assignee and beneficiary, if any, after proof as aforesaid, the company will pay in any contract year during such total and permanent disability, if there shall be no indebtedness against the contract, not more than one twentieth of the amount originally insured as stated on the first page; or, if there shall be an indebtedness, not more than one-twentieth of the difference between such indebtedness and the amount originally insured. Each such payment shall reduce to that extent the amount of insurance then in force and in the proportion of such payments to the amount originally insured shall reduce the values set forth in

the table on page 2. And if and when the payments so made shall together with any indebtedness to the company equal the amount originally insured, the company's obligation under the contract shall be fully satisfied and discharged.

"In addition to or independently of all other causes of total and permanent disability the company will consider the entire and irrecoverable loss of the sight of both eyes or the severance of both hands at or above the wrists or of both feet at or above the ankles or of one entire hand and one entire foot as total and permanent disability within the meaning of this provision.

"On any anniversary of this contract this provision may be canceled by the insured, in which event the subsequent annual premiums will be reduced 25 cents for each $1,000 of insurance hereunder and such reduction shall be endorsed hereon."

Explanation: The above total disability clause is fairly and equitably written. It is also very liberal when all the conditions are taken into consideration.

The prospective purchaser should not allow a too liberal disability clause to be the inducement for the purchase of an adverse policy or the payment of an excessive rate of premium.

The total disability clause is not considered by the insurance company, as much consequence, as evidenced by the fact that were the purchaser to eliminate the disability clause in the policy, the premiums would not be reduced to exceed 50 cents for a $1,000 death claim, yet if the purchaser can secure an equitable policy at a reasonable premium from a reliable and well established company containing a total disability clause as above, such policy should be given the preference by all means.

CHAPTER XV

NOTED OPINIONS

319. Opinion of Commissioner of Internal Revenue, Royal E. Cabell. (T. D. 1743.)

Special Excise Tax on Corporations.

Dividends declared by insurance companies are the dividends referred to in Section 38, act of August 5, 1909, as not being deductible from gross income, and when such dividends are applied to the payment of renewal premiums, to shorten the endowment or premium paying period, to purchase paid-up additions and annuities, etc., they must be included in and accounted for as income.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., December 16, 1911.

Sir: Section 38 of the act of August 5, 1909, provides that every insurance company now or hereafter organized under the laws of the United States, or of any State or Territory of the United States, or under the acts of Congress applicable to Alaska or the District of Columbia, or now or hereafter organized under the laws of any foreign country and engaged in business in any State or Territory of the United States or in Alaska or in the District of Columbia, shall be subject to pay annually a special excise tax with respect to the carrying on or doing business by such insurance company equivalent to 1 per cent. upon the entire net income over and above $5,000 received by it from all sources during such year. The act referred to provides that such net income shall be ascertained by deducting from gross income received within the

year all sources (first) all the ordinary and necessary expenses actually paid within the year out of income in the maintenance and operation of its business and properties, including all charges, such as rentals or franchise payments, required to be made as a condition to the continued use or possession of property; (second), all losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation of property, if any, and, in the case of insurance companies, the sums other than dividends paid within the year on policy and annuity contracts, etc.

In the administration of this law the questions of what was meant by the use of the word "dividend" and the status of dividends declared by insurance companies have arisen. These questions have been receiving most careful consideration in this office for the past six months. Many hearings have been had on this subject, at which have appeared officers and counsel representing nearly all of the insurance companies interested. In addition to elaborate arguments, a number of briefs have been filed and this office has on its own account made careful and painstaking investigations.

Reduced to final analysis, the contentions of the various companies are chiefly two:

First. That dividends declared by mutual and participating companies are not dividends in the commercial sense of the word but are simply refunds to the policyholder of a portion of the overcharge collected from such policyholder at the time the annual premium of the policy contract is collected, which overcharge is merely held in trust by the company issuing the policy, and annually or at stated periods all, or a portion thereof, is returned to the person holding the policy.

A careful consideration of the language used by Congress on this subject; a consideration of the pro-

visions in the policy contracts relating to dividends; the statements of the insurance companies to their policyholders; the statements made by the insurance companies to the public generally through their authorized advertisements, their literature, and by their agents; and the sworn reports of the insurance companies made to the various State authorities show that this contention is untenable.

The language in the various policies differs a little, but the contract itself sets out specifically that the policy shall entitle the holder annually or at stated periods to a dividend which shall be the distributive share of the policy in the surplus of the company, the amount thereof being fixed by the board of directors or in some other designated method.

In the authorized literature sent out by each of the various companies the amount of the dividend is in general made the most prominent feature, and, as is a matter of common knowledge of every person who has reached the age of maturity, each and every one of the agents of these companies presents a mass of alleged facts and figures showing the financial benefits to be derived by taking a policy in any given company on account of its large annual surplus and the dividend to be declared on the policy as a result thereof. In fact, in the current magazines, street-car advertisements, etc., one is confronted with allegations set forth in attractive type of the dividends earned and declared on the policies of one or another of these companies.

In all of the policy contracts and in the literature and representations of the agents and officers of the respective companies the amounts thus paid to the policy holder are designated dividends, are treated as dividends so far as appears both by the companies and the policy holders receiving them, and an examination of the sworn reports furnished by these insurance companies to the various State officers discloses the fact that these amounts are still called dividends and

treated as dividends, and in the face of these facts it becomes an impossibility for this office to rule that such dividends should be considered under any other designation or that the amounts so paid should be deductible from gross income in making the returns of annual net income.

It was vigorously contended by counsel, representing certain of these companies, that it was necessary at the outset to disregard entirely the policy contracts, the published literature, the representations of officers and agents, the sworn returns to State authorities, and to consider the proposition only after these items had been eliminated; that owing to the exigencies of business and the competition of insurance companies it was necessary, in order to secure new business, to convince the prospective policy holder of the desirability of the same and that this commercial necessity, had resulted in the companies making misrepresentations of facts as to dividends to their prospective purchasers of insurance, and that names and designations having a single specific meaning in the commercial world, and which were therefore attractive to prospective policy holders, had been adopted to represent transactions which they now hold are entirely different from what their name implies and represents, and from that which the policy holder himself believed he was receiving, and that business necessities had caused a continuance of these misnomers. It was represented that, in fact, there were no dividends, but merely a refund of overcharges, which, for reasons above stated, were usually referred to as dividends.

It appears, however, from the investigations of the books themselves that in many cases the earnings of the companies from previous investment and holdings are nearly, if not quite, as large as the amounts which are annually distributed as dividends, and while it may be true that the dividends in whole or in part might be distributed from premium rather than from

those earnings, it does not appear that a separation of sources of income is made for the purpose of ascertaining the funds available for dividends. The insured is not promised a refund, but a participation in the surplus or profits is promised and the plea that the dividend declared is a refund of a portion of the premium heretofore paid, rather than a distribution of the actual surplus of a company derived from all sources, does not appear to be consistent.

It does not appear, therefore, that the facts warrant the contention of the counsel that dividends are refunds of premium payments, but on the contrary it appears that most of the companies are in a position to declare a dividend which will conform to the commercial definition of dividends urged by counsel as the correct definition.

The language of Congress relative to deductions from gross income is as follows: "And in the case of insurance companies the sums other than dividends paid within the year on policy and annuity contracts," and there is no clearer or more reasonable rule of construction than that every clause or word of a law should be presumed to have been intended to have some force and effect.

When all the facts are borne in mind and it is remembered that such facts were all before Congress at the time the specific language was adopted that an insurance company should be entitled to deduct "the sums other than dividends paid within the year on policy and annuity contracts and the net additions, if any, required by law to be made within the year the reserve funds," it is clear that by "dividends" Congress had in mind the same thing that the insurance companies themselves have been designating as dividends, and that whether such dividends are dividends in the commercial sense or not they constitute what Congress specifically prohibited from being deducted.

Second. The second contention, and the one most

vigorously advanced by many of the companies, is that granting that dividends paid to policy holders in cash are dividends within the intent of the statute, when such dividends are applied to (a) the payment of renewal premiums; (b) applied to shorten the endowment or premium paying period; (c) applied to purchase paid-up additions and annuities, they are not dividends but refunds applied as stated. The contention is that the company does not actually receive the money and that it is not, therefore, to be taken up in the income accounts, but that owing to provisions of local statutes over which they have no control they are forced against their will to take up these items on their ledger accounts and on their sworn statements as income.

A careful consideration would appear to show the complete fallacy of this contention. It is not disputed that when the dividends shall have been declared and the ratable distribution determined by the duly constituted authority of the company, the title to the ratable share is thereby vested in the policy holder. Such being the fact, the company is thereafter the mere custodian of the amount of dividend thus declared and agrees as agent to make disposition of such amount in accordance with the direction of the owner thereof. This is specifically set out in the policy contracts, and the disposition of the dividend is determined solely by the election of the policy holder himself.

The insurance company declares a dividend and the policy contract gives the insured, in whose favor the dividend is declared, the absolute direction of its disposal. He may direct that it be paid to him in cash or he may direct its disposal as hereinbefore stated, by the company, which acts as the agent of the policy holder in applying the dividend as he may direct. The dividend having been regularly declared, the amount belonging to each policy holder is entirely within his

control in accordance with the terms of his contract, and he may and must direct its disposal as stated. For purpose of illustration, suppose a policy holder elects to direct the disposition of his dividend to the part payment of his next renewal premium. The company contends that such an election on the part of the policy holder is a rebate on the part of the company. When we consider, however, that the title to this dividend has already vested in the policy holder, it would appear that there is no abatement of premium, but that the policy holder who pays a continuing annual premium, remits to the company a certain portion of that premium in cash and directs that the company take the amount of dividend due and payable to him and add it to the amount remitted in cash in payment of the premium then due to the company. The policy contracts of the companies themselves, the receipts for premium payments, and the whole transaction appears to establish this beyond any question.

The contention that the company does not receive the amount of money belonging to the policy holder which is in the physical possession of the company, and which the policy holder directs to be taken and added to the amount which he remits and thus pay his premium liability, is, moreover, not acceptable as an accounting proposition.

Nor can this office concur in the proposition that the company can, at the direction of the owner of a sum of money in its custody, take such sum and make a part payment on an obligation therewith and then contend that out of its liberality it has abated a portion of the obligation exactly equal to the amount of money in its possession thus applied at the direction of the policy holder.

The second and third allegations as to disposition of dividends declared fall identically within the reasons set forth, and a further detailed discussion thereof does not appear necessary. It appears clear, therefore,

that under the language of the law the dividends excepted from deductions are the amounts disbursed annually by the various companies as dividends and that after the dividends are once declared, and by the direction of the policy holder are transferred back to the company for the purpose of paying premiums, purchasing additional insurance, or shortening the term of insurance, the amount of dividends so retransferred to the company constitutes income in every sense identically as though the actual cash was paid therefor, and such items shall be so treated and accounted for. The contention of the insurance companies that their ledger accounts and sworn statements are untrue and incorrect as to the item of dividends can not be accepted.

Certain decisions of State courts appear to lend color to the position assumed by the various companies. It should be borne in mind, however, that the various statutes construed or referred to in these decisions differ both in language and intent from the statute now under consideration, and without raising the question as to the extent to which these various State decisions are binding, it is clear from a careful consideration thereof that they do not furnish a safe guide to follow in determining the intent of Congress as evidence by the language now under consideration.

The various agents will, therefore, continue to make up the returns from the ledger accounts of the insurance companies, recommend disallowance of any deduction claimed on account of dividends, and report as items of income all dividends declared by insurance companies and repaid to the insurance companies by direction of the owner thereof, even though the physical possession of such dividends shall have continued with the company.

The matter of amortization of bonds has already been the subject of an official ruling. The various items of depreciation claims and of certain questions relative to reserves are not sufficiently general for a

ruling to be made thereon, and such question will, for the present, be made the subject of individual consideration.

Respectfully,
ROYAL E. CABELL,
Commissioner.

MR. JOHN W. SINSEL,
Internal Revenue Agent, New York.

320. **Extract of Opinion of Judge McCormick,** in Merchants Life Association vs. Yoakum, 98 Fed. Rep., page 269-270.

"In the quotation which we have made from the opinion of Judge ———— in the ———— case, we have seen that he alludes to the fact that in ———— money is received from the insurance companies in payment of losses to the extent of only a small per cent of the premiums received by them, and, often, then, as the records of the courts of the state will show, at the end of a long, tedious, and expensive lawsuit.

"It must be manifest to the most casual observation that the parties to these insurance contracts and to such a controversy are unequally matched.

"It is human nature and human experience that the stronger will use his strength. He may piously declare his benovolent intentions and disclaim any purpose to profit by his power, but he will use it none the less.

"Without the aid of a legal fiction, we cannot say or think that the minds of these contracting parties do or can ever meet. One is a mere legislative thought, a legal, artificial entity, invisible, endowed with immortality, and almost superhuman powers of organization and delegated activities, and infinite capacity for expansion and receiving of tribute. It can act only through agents. For the exercise of its controlling powers, it is able to secure, and constantly retain, the

highest order of talent in every department of its organization.

"In a world-wide field of minute operations these governing agents, wherever located, must of necessity, be practically unapproachable by the vast concourse of parties with whom the invisible principal deals. A hierarchy results. Of this hierarchy the lowest rank, in prodigious swarm, fills the land. The scope of their agency is limited with marvelous skill.

"Armed with longer or shorter catechisms, and a form of covenant devised with consummate ingenuity, one of these inspired special agents finds the Hays County farmer at his plow-tail. * * *

"With the aid of a medical examiner appointed by the insurance company, the special agent opens and explains the questions in the catechism, and reduces to writing in due form (as these experts explain and declare) the required answers—128 more or less—each of which answers as thus written by the agent and the medical examiner, this unlettered novice is required to adopt and warrant to be true, without any regard to the answers as actually spoken by him or to the facts patent to the sight of these special agents, whose auditory and optic nerves have been so paralyzed by the limitation on the scope of the agency that they do not connect with the mind of the mystic principal.

"These paralyzed agents are the only human organs through which the insurer corporation expresses itself to the mind of the insured. Where the strict literal warranty doctrine obtains, the wonder is not that a breach of a contract, thus written and construed, can often be established, but that such a contract so constructed can ever be enforced after the death, and hence without the testimony, of the insured.

"The subject is a large one. It is one of peculiarly vital public interest. It challenges legislative attention. The foregoing examples, which we have taken

from the record in this case and from the * * * Reports, are by no means exceptional in that state, but are representative. It seems to us that the state legislation drawn in question by this assignment is not in conflict with the fourteenth amendment to, or any other provision of, the constitution. It is not simply a statute imposing a penalty on life or health insurance companies for failing to pay certain debts, but is one to enforce reasonable regulations and conditions on which such companies are permitted to do business. * * * The purpose of this statute is not to compel the payment of debts. Life and health insurance companies do not usually neglect or defer the payment of their admitted debts. They generally advertise themselves as having a large accumulation of surplus revenue, and as being ready to pay, as soon as it matures, whatever debt they owe. The obvious purpose of the act is to secure a righteous degree of care in righting policies of insurance, so that the immortal insurer will not receive premiums from an honest recipient of one of its policies which does not bind it to meet the loss that he bargains it shall meet, and in consideration for which he parts with his money while he is alive and able to make earnings, that he may, to the extent stipulated, protect his family or his creditors against the contingency of his death, which must occur. To enforce the exercise of this righteous care on the part of the very strong in contracting with the weaker and less learned, and in conducting humanely this peculiar business that reaches so often across the graves of the insured to the homes of afflicted dependents, so that the insurers will not receive premiums from honest parties who the contracts as written do not insure, would seem to be within the legislative power."

CHAPTER XVI

STATE LAWS GOVERNING LIFE INSURANCE COMPANIES

321. New York Non-Forfeiture Law.

A law was passed, which went into effect on January 1, 1880, to provide that should a policy lapse through non-payment of premiums, a surrender value could be claimed at any time within six months, such value to be either paid-up insurance or extended insurance as might be stipulated in the policy contract. Verbal changes were made when the insurance laws of 1892 were put in force, but these changes did not effect the values to be given or the conditions on which such values could be claimed. The law at present in force reads as follows:

STATUTES OF THE STATE OF NEW YORK.

Laws of 1892.

Chapter 690, Article 2, Section 88.

Surrender Value of Lapsed or Forfeited Policies.—Whenever any policy of life insurance issued after January first eighteen hundred and eighty, by any domestic life insurance corporation after being in force three full years shall by its terms, lapse or become forfeited for non-payment of any premium or any note given for a premium or loan made in cash on such policy as security, or of any interest on such note or loan, the reserve on such policy computed according to the American table of mortality at the rate of four and one-half per cent. per annum shall, on demand made, with surrender of the policy within six months

after such lapse or forfeiture, be taken as a single premium of life insurance at the published rates of the corporation at the time the policy was issued, and shall be applied, as shall have been agreed in the application or policy, either to continue the insurance of the policy in force at its full amount or as long as such single premium will purchase temporary insurance for that amount, at the age of the insured at the time of lapse or forfeiture, or to purchase upon the same life at the same age paid-up insurance payable at the same time and under the same conditions, except as to payment of premiums, as the original policy. If no such agreement be expressed in the application or policy such single premium may be applied in either of the modes above specified at the option of the owner of the policy, notice of such option to be contained in the demand hereinbefore required to be made to prevent the forfeiture of the policy.

The reserve hereinbefore specified shall include dividend additions calculated at the date of the failure to make any of the payments above described according to the American experience table of mortality with interest at the rate of four and one-half per cent. per annum after deducting any indebtedness of the insured on account of any annual or semi-annual or quarterly premium then due, and any loan made in cash on such policy, evidence of which is acknowledged by the insured in writing.

The net value of the insurance given for such single premium under this section computed by the standard of the state, shall in no case be less than two-thirds of the entire reserve computed according to the rule prescribed in this section after deducting the indebtedness as specified; but such insurance shall not participate in the profits of the corporation.

If the reserve upon any endowment policy applied according to the provisions of this section as single premium of temporary insurance be more than suffi-

cient to continue the insurance to end of the endowment term named in the policy, and if the insured survive that term, the excess shall be paid in cash at the end of such term, on the conditions on which the original policy was issued.

This section shall not apply to any case where the provisions of the section are specifically waived in the application and notice of such waiver is written or printed in red ink on the margin of the face of the policy when issued.

322. Massachusetts Non-Forfeiture Laws.

In 1861 the Legislature of Massachusetts adopted a non-forfeiture law to protect the interest of the policy holder against the heavy loss sustained by lapsation of their policies; frequent changes have been made in the old Massachussetts law, and as such changes do not become retroactive, it follows that policies once issued remain at all times under the law in force at the date of their issue. Apart therefore from the historical value of the various laws and the changes therein, the different laws have also a practical value, as they still apply to existing policy contracts.

The text of the three different non-forfeiture laws is therefore given in full, first the original law, second the codification of 1887, and third the existing law. Notes are added as to the minor changes which have been made:

THE MASSACHUSETTS NON-FORFEITURE LAW.

Approved April 10, 1861.

Section 1. No policy of insurance on life hereafter issued by any company chartered by the authority of this commonwealth shall be forfeited or become void by the non-payment of premium thereon, any further than regards the right of the party insured therein to have it continued in force beyond a certain period,

to be determined as follows as to-wit: The net value of the policy when the premium becomes due and is not paid, shall be assertained according to the "Combined Experience" or "Actuaries" rate of mortality, with interest at four per centum per annum. After deducting from such net value any indebtedness to the company or notes held by the company against the insured, which note if given for premiums, shall then be canceled, four-fifths of what remains shall be considered as net single premium of temporary insurance, and the term for which it will insure shall be determined according to the age of the party at the time of the lapse of the premium and the assumptions of mortality and interest aforesaid. Section 2. If the death of the party occur within the term of temporary insurance covered by the value of the policy, as determined in the previous section, and if no condition of the insurance other than the payment of premium shall have been violated by the insured, the company shall be bound to pay the amount of the policy the same as if there had been no lapse of the premium, anything in the policy to the contrary notwithstanding; provided, however, that notice of the claim and proof of the death shall be submitted to the company within ninety days after the decease; and provided, also, that the company shall have the right to deduct from the amount insured in the policy the amount at six per cent. per annum of the premiums which have been forborne at the date of his death.

MASSACHUSETTS NON-FORFEITURE LAW.

Codification of 1887.

Section 76. All policies hitherto issued by any domestic life insurance company shall be subject to the provisions of law applicable and in force at the date of such issue. No policy of life or endowment assurance hereafter issued by any such company shall be-

come forfeited or void for non-payment of premium after two full annual premiums, in cash or note or both, have been paid thereon; but in case of default in the payment of any subsequent premium, then, without any further stipulation or act, such policy shall be binding upon the company for the amount of paid-up insurance which the then net value of the policy and all dividend additions thereon, computed by the rule of Section 11, less any indebtedness to the company on account of said policy, and less the surrender charge provided herein will purchase at a net single premium for life or endowment insurance maturing or terminating at the time and in the manner provided in the original policy contract, and such default shall not change or affect the conditions or terms of the policy, except as regards the payment of premiums and the amount payable thereon. Said surrender charge shall be eight per cent. of the insurance value of the policy at the date of default, which insurance value is the present value of all the normal future yearly costs of insurance which by its terms said policy is exposed to pay in case of its continuance, computed upon the rate of mortality and interest assumed in Section 11. Every such policy, after the payment of two full annual premiums thereon, shall have a surrender value which shall be its net value, less the surrender charge, and less any indebtedness to the company on account of the said policy, and its holder may, upon any subsequent anniversary of its issue, surrender the same and claim and recover from the company such surrender value in cash; Provided that from the surrender value of all endowment policies the company may deduct five per cent. On policies of prudential or industrial insurance on which the weekly premiums are not more than 50 cents each the surrender value in all cases shall be payable in cash. Upon surrender, on any anniversary of its issue, of a policy which has become paid-up after the payment of two

full annual premiums by force of the statute upon default in payment of premium, the holder shall be entitled to its net value payable in cash; Provided that from such net value of all endowment policies the company may deduct five per cent. But no surrender of a policy shall be made without the written assent of the person to whom the policy is made payable. Any condition or stipulation in the policy or elsewhere, contrary to the provisions of this section and any waiver of such provisions by the assured, shall be void.

The Actuaries' Rate of Mortality with four per cent. interest is given as the basis of computation of net value in Section 11 of the Codification of 1887.

In 1894 a change in the above law was made so that it might apply, in accordance with the practices of companies, to policies taken by single premiums. In 1896 the clause "provided that from the surrender value of all endowment policies the company may deduct 5 per cent." was struck out; companies had not availed themselves of the right to make the deduction. In 1900 the entire law was changed, and the following is now in force:

MASSACHUSSETS NON-FORFEITURE LAW.

Chapter 118, Section 76, Revised Laws.

Paid-up and Cash Surrender Values.—All policies issued prior to the first day of January in the year nineteen hundred and one by any domestic company shall be subject to the provisions of law limiting forfeiture which are applicable and in force at the date of their issue. No policy of life or endowment insurance issued by any such company after the thirty-first day of December in the year nineteen hundred shall become forfeit or void for non-payment of premium after three full annual premiums have been paid thereon; but in case of default in the payment of any subsequent premium, then without any further stipulation

or act such policy shall be binding upon the company for the amount of paid-up insurance which the then net value of the policy and all dividend additions thereon, computed by the rule of Section 11, less any indebtedness to the company on account of said policy, and less the surrender charge provided herein, will purchase as a net single premium for life or endowment insurance maturing or terminating at the time and in the manner provided in the original policy contract, and such default shall not change or affect the conditions or terms of the policy, except as regards the payments of premiums and the amount payable thereon. Said surrender charge, unless fixed at a smaller rate by the policy, shall be five per cent. of the present value of the future net premiums at the date of default, which by its terms said policy is exposed to pay in case of its continuance, computed upon the rate of mortality and interest assumed in Section 11. But any company may contract with its policy holders to furnish, in lieu of the paid up insurance provided for in this section, any other form of life insurance lawful in this commonwealth, of not less value. Every such paid-up policy shall have a cash surrender value, which shall be its net value, less any indebtedness to the company on account of said policy, and every policy which by its own terms has become paid-up shall have a cash surrender value, which shall be its net value, less five per cent. of one net premium, and the holder of any paid-up policy may upon any anniversary of its issue surrender the same and claim and recover from the company such surrender value in cash. But no surrender of a policy shall be made without the written assent of the person to whom the policy is made payable. On policies of prudential or industrial insurance on which the weekly premiums are not more than 50 cents each the surrender value shall in all cases be payable in cash, which shall be a legal claim for not more than two years from the date of lapse. Any condi-

tion or stipulation in the policy or elsewhere which is contrary to the provisions of this section and any waiver of such provisions by the insured, shall be void.

The Massachusetts law does not require the surrender of the policy, but under the New York law the policy must be surrendered within six months after the date of lapse in order that the specified values may be obtained. The value under the Massachusetts law is automatically carried forward to the credit of the policy holder, and awaits him at such time as he may claim it. When the contract calls for the surrender of the policy within a specified period, and this requirement does not conflict with the law of the State, then if the insured does not surrender the policy and claim the value all his right will cease at the end of the stipulated time. In case no time is stipulated within which the surrender should be made and the contract contains a provision that in case of default in the payment of any premium when due, all payments are to be forfeited (a provision which would be binding under the laws of several of the States), then the surrender should be made before such default occurs.

A decision to this effect was made by the Supreme Court of Pennsylvania in 1888 in Smith vs. National Life Insurance Company. The practice is however, becoming more and more common for companies to grant automatic non-forfeiture privileges whereby the insured obtains a reasonable value if he should discontinue payment of premium, this value being allocated to him whether he claims it or not. The trend of legislation seems to be in the same direction.

323. Indiana Non-Forfeiture Law.

Approved July 1, 1909.

Chapter 5, Section 125.

WHAT THE POLICY SHALL PROVIDE.

From and after July 1, 1909, no policy of life insurance shall be issued or delivered in this state or be

issued by a life insurance company organized under the laws of this state, unless the same shall provide the following:

(1) That all premiums shall be payable in advance, either at the home office of the company or to an agent of the company, upon delivery of a receipt signed by one or more of the officers who shall be designated in the policy.

(2) For a grace of not less than thirty days for payment of every premium after the first year, which may be subject to an interest charge, during which period the insurance shall continue in force; provided, that if the insured shall die within such period of grace the unpaid premium for the current policy year may be deducted in any settlement under the policy.

(3) That the policy, together with the application therefor, a copy of which application shall be attached to the policy and made a part thereof, shall constitute the entire contract between the parties and shall be incontestable after not more than two years from its date, except for non-payment of premiums and except for violation of the conditions of the policy relating to naval and military service in time of war.

(4) That if the age of the insured has been understated, the amount payable under the policy shall be such as the premium would have purchased at the correct age.

(5) That all statements made by the insured in the application shall, in the absence of fraud, be deemed representations and not warranties.

(6) That the policy shall participate in the surplus of the company as apportioned by the board of directors of the company, and that, beginning not later than the end of the fifth year, the company will determine and account for the portion of the divisible surplus so ascertained accruing on the policy, and that the owner of the policy, shall have the right to have the current dividends arising from such participation paid in

cash, and that at periods of not more than five years, such accounting and payment at the option of the policy holder shall be had. The owner of the policy may elect to take any of the other dividend options in the policy. If the owner of the policy shall not elect any of the other dividend options in the policy, the apportioned dividends shall be held to the credit of the policy and be payable in cash at maturity of the policy or be withdrawable in cash at any anniversary of its date: Provided, however, if the policy shall contain a provision for an apportionment of the surplus at the end of the first policy year and annually thereafter, then in that event, said policy may provide that each dividend shall be paid subject to the payment of the premium of the next ensuing year. This provision shall not be required in non-participating policies.

(7) A table showing in figures the loan values and the cash, paid-up and extended insurance options upon surrender or available under the policy each year, upon default in premium payment, during at least the first twenty years of the policy, beginning not later than the end of the third policy year, which values shall be equal to the full reserve on the policy, less not to exceed two and one-half percentum of the sum insured; following this table there shall be a clause specifying the mortality table and rate of interest adopted for computing the reserve and specifying the basis for the values and options after the period covered by the table. This provision shall not apply to term policies nor to any form of paid-up insurance issued or granted in exchange for lapsed or surrendered policies.

(8) Policies issued by companies doing business in this state may provide for not more than one year preliminary term insurance, by incorporating therein the following clause immediately following the table of options and statement of basis therefor: "The first

year's insurance under this policy is term insurance, purchased by the whole or part of the premium to be received during the first policy year and the policy shall be valued according to its terms and the laws of the State of INDIANA."

(9) That after three full year's premiums shall have been paid, the company, at any time, while the policy is in force, will loan, on the execution of a proper assignment of the policy, and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the insured, less than the amount stated in the table of options to be loaned at the end of the current policy year plus the value of the reserve on any dividend additions to the policy, and that the company will deduct from such loan value any existing indebtedness on or secured by the policy and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year; and may further provide that such loan may be deferred for not exceeding six months after the application therefor is made. It shall be further stipulated in the policy that failure to repay any such loan or pay interest thereon shall not avoid the policy unless such total indebtedness to the company shall equal or exceed such loan value at the time of such failure, nor until 30 days after notice shall have been mailed by the company to the last known address of the insured and to the assignee, if any, if such assignee has notified the company of his address. No condition other than as herein provided shall be exacted as a prerequisite to any such loan. This provision shall not be required in term policies nor shall it apply to paid-up insurance issued or granted in exchange for lapsed or surrendered policies.

(10) That in event of the default of premium payment after premiums have been paid for not less than three years, the insured shall be entitled to the ex-

tended insurance shown in the table of values and options for the end of the last year for which full annual premiums shall have been paid. Provided, that any unpaid note given for premium and any existing indebtedness to the company on account of or secured by the policy shall reduce the amount or term of such extended insurance in the ratio of such indebtedness to the net value of such extended insurance; and, provided, that the policy may be surrendered to the company at its home office within one month from date of default for a specified cash value at least equal to the sum which would otherwise be available for the purchase of extended insurance as aforesaid; and, provided, further, that the company may defer payment for not more than six months after the application therefor is made. This provision shall not be required in term insurance of twenty years or less.

(11) That, should there have been default in premium payment, and the value of the policy applied to the extension of the insurance, and such insurance be in force and the original policy not surrendered to the company and cancelled, the policy may be reinstated within three years from such default, upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest.

(12) That when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of due proof of death and of the interest of the claimant and not later than two months after receipt of such proof.

(13) A title on the face and the back of the policy describing the same.

Any of the foregoing provisions or portions thereof relating to premiums not applicable to single premium policies shall to that extent not be incorporated therein. The foregoing provisions of this section five (5) shall not apply to policies issued on substandard, under average or impaired risks.

POLICIES—WHAT SHALL NOT CONTAIN.

Chapter 5, Section 126.

No policy of life insurance shall hereafter be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, if it contain any of the following provisions:

(1) Limiting the time within which any action at law or in equity may be commenced, to less than three years after the cause of action shall accrue.

(2) By which the policy shall purport to be issued or to take effect more than six months before the original application for the insurance was made.

(3) That in the event of the maturity of any policy after the expiration of the contestable period thereof, for any mode of settlement at maturity of less value according to the company's published rate therefor then in use, than the amount insured under the policy, plus dividend additions, if any, less any indebtedness to the company on account of or secured by the policy and less any premium that may, by the terms of the policy, be deducted.

(4) For the forfeiture of the policy for failure to repay any loan on the policy, or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof; or any provisions for forfeiture for failure to repay any such loan or to pay interest thereon unless such provision contain a stipulation that no such forfeiture shall occur until at least thirty days after notice shall have been mailed by the company to the last known address of the insured and to the assignee, if any, if such assignee has notified the company of his address.

(5) Which contains any clause promising to the holder of such policy any special dividend or benefit to be derived from any other policy; nor shall any company organized under the laws of this state issue in connection with any policy any separate paper or

contract promising any such special dividend or benefit; nor shall any company be admitted to do business in this state that issues policies which contain any such clause, or which issue in connection with any policy any separate paper or contract promising any such dividend or benefit.

POLICY LOANS—INTEREST.

Chapter 5, Section 127.

In ascertaining the indebtedness due upon policy loans the interest, if not paid when due, shall be added to the principal of such loan, and shall bear interest at the rate specified in the note or loan agreement.

FORMS OF POLICY—APPROVAL.

Chapter 5, Section 128.

No policy of life insurance shall be issued or delivered in this state by any life insurance company until the form and title of same shall have been filed with the auditor of the state; and if the provisions of such policy violate any law of this state, the auditor of state shall disprove such form, and after the auditor of state shall have notified any such company of any such disapproval of any such form, it shall be unlawful for such company to issue such policy in the form so disapproved. The action of the auditor of the state shall be subject to review by any court of competent jurisdiction.

INSURANCE—LIFE—FALSE STATEMENTS.

[Acts 1909, page 273; approved March 6, 1909.]

Chapter 5, Section 132.

It shall be unlawful for any life insurance company or any officer, director or agent thereof, to issue or circulate or cause or authorize to be issued or circu-

lated any estimate, illustration, circular or statement of any sort, misrepresenting the terms of any policy issued or to be issued by such company, or the benefits or privileges promised thereby, or the dividends or share of surplus to be received thereunder, or for any insurance company, or for any officer, director or agent thereof, to make any misrepresentations, oral or otherwise, to any person insured in another company for the purpose of inducing or tending to induce such person to take out a policy of insurance, or to lapse, forfeit or surrender his said insurance.

INSURANCE—LIFE—REBATING.

[Acts 1909, page 85; approved March 1, 1909.]

Chapter 15, Section 306.

That no life insurance company doing business in this state, nor any officer or agent of such company, shall directly or indirectly pay, allow, or offer to pay or allow as an inducement to insurance, any rebate of premium in connection with a policy of life insurance be issued upon any application solicited in this state. Nor shall any such company, officer or agent, make any contract or agreement as to the amount of premium to be paid on any policy solicited in this state other than as plainly expressed in the policy, nor shall any company knowingly issue a policy of insurance when any part of the premium has been rebated.

324. Illinois Non-Forfeiture Law.

[Approved May 20th, 1907, in force January 1st, 1908.]

Chapter 5, Section 209.

An act relating to the transaction of the business of life insurance in the State of Illinois, and regulating the conditions and provisions of policies of life insurance companies, organized under the laws of this State, or doing business herein.

PROVISIONS POLICY SHALL CONTAIN.

Section 1. That from and after January 1, 1908, no policy of life insurance shall be issued or delivered in this State or be issued by a life insurance company organized under the laws of this state, unless the same shall provide the following:

(1) That all premiums after the first shall be payable in advance, either at the home office of the company or to an agent of the company, upon delivery of a receipt signed by one or more of the officers who shall be designated in the policy.

(2) For a grace of one month for the payment of every premium after the first year which may be subject to an interest charge, during which month the insurance shall continue in force: Provided, that if the insured shall die within the month of grace the unpaid premium for the current policy year may be deducted in any settlement under the policy.

(3) That the policy, together with the application therefor, a copy of which application shall be endorsed upon or attached to the policy and made a part thereof, shall constitute the entire contract between the parties and shall be incontestable after two years from its date, except for non-payment of premiums and except for violations of the conditions of the policy relating to the naval or military service in time of war: Provided, that the application therefor need not be attached to any policy containing a clause making the policy incontestable from date of issue.

(4) That if the age of the insured has been misstated the amount payable under the policy shall be such as the premium would have purchased at the correct age, or the premium may be adjusted and credit given to the insured or to the company, according to the company's published rate at date of issue.

(5a) That the policy shall participate in the surplus of the company, and any policy containing provision for participation at the end of the first policy

year, and annually thereafter, may also provide that each dividend shall be paid subject to the payment of the premium for the next ensuing year; and the insured under any annual dividend policy shall have the right each year to have the dividend arising from such participation paid in, cash and if the policy shall provide other dividend options, it shall further provide that if the insured shall not elect any such other options, the dividend shall be paid in cash. Such participation may, however, begin not later than the end of the twentieth policy year.

(5b) If any company shall issue any policies under the terms of which the payment of dividends is deferred later than the third policy year, such company shall furnish the Insurance Superintendent each year a statement showing the number and amount of all policies with deferred dividends in force at the beginning of the year for which the statement is made; of all such policies issued and revived or terminated during the said year with the mode of termination; and the number and amount of all such policies in force at the end of said year. Also a statement showing any and all amounts provisionally set apart, ascertained or calculated or held awaiting apportionment upon such policies at the beginning of said year, the additions made to the said fund during the year with the source from which such additions arose, the deductions made from the said funds during the year, with the reasons therefor and the amount of said fund at the end of the year; which shall be carried as a distinct and separate liability to such class of policies on for which the sum was accumulated. Upon written request of the insured under any deferred dividend policy after said policy shall have been in force more than three years, the company shall furnish said policy-holder with a statement of the amount of surplus provisionally ascertained or set aside on such policy and held awaiting apportionment at the expiration of the deferred dividend period.

(5c) The provisions of this section shall not apply to any form of paid-up insurance or temporary insurance or pure endowment insurance, issued or granted in exchange for lapsed or surrender policies, or to non-participating policies.

(6) That after three full years' premiums have been paid, the company, at any time, while the policy is in force, will loan, on the execution of a proper note or loan agreement by the insured, and on proper assignment and delivery of the policy and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the insured, less than the reserve at the end of the current policy year on the policy and on the dividend additions thereto, if any (the policy to specify the mortality table and the rate of interest adopted for computing such reserve), less specified percentage (not more than two and one-half) of the amount insured by the policy and of the dividend additions thereto, if any, and that the company will deduct from such loan value any existing indebtedness on or secured by the policy and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year; provided, that such loan may be deferred for not exceeding six months after the application therefor is made. No condition other than as herein provided shall be exacted as a prerequisite to any such loan. This provision shall not be required in term insurance, nor shall it apply to a temporary insurance or pure endowment insurance, issued or granted in exchange for lapsed or surrendered policies.

(7) That in event of default in premium payments, after premiums shall have been paid for three years, the insured shall be entitled to a stipulated form of insurance the net value which shall be at least equal to the reserve at the date of default on the policy and on dividend additions thereto, if any (the

policy to specify the mortality table and rate of interest adopted for computing such reserve), less a specified percentage (not more than two and a half) of the amount insured by the policy and of existing dividend additions thereto, if any, and less any existing indebtedness to the company on or secured by the policy; provided, that the policy may be surrendered to the company at its home office within one month of date of default for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance as aforesaid: And provided, further, that the company may defer payment for not more than six months after the application therefor is made. This provision shall not be required in term insurance of twenty years or less.

(8) A table showing in figures the loan values, and the options available under the policies each year upon default of premium payments, during at least the first twenty years of the policy, beginning with the year in which such values and options become available. The specified percentage referred to in (6) and (7) need not be stated for the policy years included in said table.

(9) That if in event of default in premium payments, the value of the policy shall be applied to the purchase of other insurance, and if such insurance shall be in force and the original policy shall not have been surrendered to the company and canceled, the policy may be reinstated within three years from such default, upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest.

(10) That when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of proof of death and of the interest of the claimant and not later than two months after the receipt of such proof.

(11) A table showing the amount of instalments

in which the policy may provide its proceeds may be payable.

(12) Title on the face and on the back of the policy correctly describing the same.

Provisions Policy Shall Not Contain.

Chapter 5, Section 210.

§ 2. No policy of life insurance shall be issued or delivered in this State, or be issued by a life insurance company organized under the laws of this State, if it contain any of the following provisions:

(1) A provision limiting the time within which any action at law or in equity may be commenced to less than three years after cause of action shall accrue.

(2) A provision by which the policy shall purport to be issued or to take effect more than six months before the original application for insurance was made.

(3) A provision that in event of maturity of any policy after the expiration of the contestable period thereof, any mode of settlement at maturity of less value according to the company's published rates therefor then in use than the amount insured on the face of the policy plus dividend additions, if any, less any indebtedness to the company on or secured by the policy, and less any premium that may, by the terms of the policy, be deducted.

(4) A provision for forfeiture of the policy for failure to repay loan on the policy, or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof.

Section 211.

§ 3. In ascertaining the indebtedness due upon the policy loans, the interest, if not paid when due, shall be added to the principal of such loans, and shall bear interest at the rate specified in the note or loan agreement.

Section 212.

Form of Policy to Be Filed.

§ 4. No policy of life insurance shall be issued or delivered in this State or be issued by a life insurance company organized under the laws of this State, until the form of the same has been filed with the Insurance Superintendent; and after the Insurance Superintendent shall have notified any company of his disapproval of any form, it shall be unlawful for such company to issue any policy in the form so disapproved. The Insurance Superintendent's action shall be subject to review by any court of competent jurisdiction.

Section 213.

Companies of Other States.

§ 5. The policies of a life insurance company, not organized under the laws of this State, may contain any provision which the law of the state, territory, district or country under which the company is organized prescribes shall be in such policies when issued in this state, and the policy of a life insurance company organized under the law of this State may, when issued or delivered in any other state, territory, district or country, contain any provisions required by the laws of this state, territory, district or country in which the same are issued, anything in this act to the contrary notwithstanding.

Section 214.

§ 6. This Act shall not apply to annuities, industrial policies or to corporations or associations operating on the assessment or fraternal plan; provided, that in every case where a contract provides for both insurance and annuities this Act shall apply to that part of the contract only which provides for insurance, but every such contract providing for a deferred annuity on the life of the insured only shall (unless

paid for by a single premium), provided that in the event of the non-payment of any premium after three full years' premiums shall have been paid, the annuity shall automatically become converted into a paid-up annuity for such proportions of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

Approved June 10, 1909, in force July 1, 1909.

Section 215.

§ 7. All Acts and parts of Acts inconsistent with the provisions herewith are hereby repealed.

Rebates and Discriminations Between Insurants by Life Companies.

An Act to correct certain abuses and prevent unjust discriminations of and by life insurance companies doing business in this State, between insurants of the same class and equal expectation of life in the rates, amount, or payment of premiums in the return of premiums, dividends, rebates or other benefits. Approved June 19, 1891; in force July 1, 1891; L. 1891, p. 148.

Rebates and Discrimination Prohibited.

Chapter 5, Section 202.

Section 1. That no life insurance company or association organized under the laws of this State or doing business within the limits of the same, shall make or permit any distinction or discrimination between insurants of the same class and equal expectation of life, in its established rates; nor in the charging, collecting, demanding or receiving of the amount of premium for insurants of the same class and equal expectation of life; nor in the return ratably of premium, dividends, or other benefits, accruing, or

that may accrue to such insurants as aforesaid; nor in the terms and conditions of the contract between such company and the insurants, and such contract of insurance shall be fully and wholly expressed and contained in the policy issued and the application therefor; nor shall any such company or its agent pay, or allow, or offer to pay or allow to any person insured, any special rebate of premium or any special favor or advantage in the dividends or other benefits to accrue on such policy, or promise the same to any person as inducement to insure, or promise to give any advantage or valuable consideration whatever, not expressed or specified in the policy of such company.

Unjust Discriminations to Be Deemed Violation of Law.

Chapter 5, Section 203.

If any life insurance company, or association, its agent or agents, as aforesaid, shall make any unjust discriminations, as enumerated in Section 1 of this Act, the same shall be deemed guilty of having violated the provisions of this Act, and upon conviction thereof shall be dealt with as hereinafter provided.

Act Not to Apply to Fraternal Associations.

Chapter 5, Section 205.

4. The provisions of this Act shall not be construed to apply to fraternal associations dispensing aid or benefits to members, or their heirs, or legal representatives.

Life Insurance—Misrepresentations.

An Act to prohibit misrepresentations by life insurance companies. In force July 1, 1907.

Chapter 5, Section 206.

Misrepresenting Policy.

Section 1. That no life insurance company doing business in this state, and no officer, director or agent thereof, shall issue or circulate or cause or permit to be issued or circulated, any estimate, illustration, circular or statement of any sort misrepresenting the terms of any policy issued by it or the benefits or advantages promised thereby, or the dividends or share of surplus to be received thereon, or shall use any name or title of any policy or class of policies misrepresenting the true nature thereof.

Penalty.

2. Any company or individual violating any of the provisions of this Act shall be subject to a penalty of not less than twenty-five dollars nor more than five hundred dollars, to be recovered in any court having jurisdiction thereof in an action brought in the name of the people of the State of Illinois by the Attorney General, Insurance Superintendent or State's Attorney of the county in which such violation occurs, said penalty when recovered to be paid into the county treasury of the county in which such recovery is had.

3. All Acts and parts of Acts inconsistent herewith are hereby repealed.

CHAPTER XVII

DEFINITIONS

325. Definitions of Words and Terms Used in Life Insurance.

Accumulations.

The act of gathering together or accumulating; to amass; to increase. As applied to the accumulations of INTEREST, when the interest on an investment or deposit remains undrawn. When used in a life insurance way it expresses the condition where dividends are left with the company for a specified number of years, called deferred dividends, and also where money is paid to the company for a number of years to create the reserve, called reserve accumulations. Whereas in the former the dividend may be ascertained annually, but left with the company to be withdrawn after the expiration of the deferred dividend period.

Actuary.

Originally used to denote a registrar or clerk, but more recently it has been used to distinguish one who is proficient in the practical application of mathematics to the fact upon which life insurance is based. It is now acquiring a broader meaning and might be stated as "an expert in insurance," where the word expert involves a knowledge of mathematics, law and bookkeeping.

Annuitant.

One who receives or possesses an annuity.

Annuity.

The periodical payment of money, either yearly, half-yearly, or quarterly; for a determinate period as ten, fifty or a hundred years; or for an indeterminate

period, dependant on a certain contingency, as the death of a person; or for an indefinite term, in which latter case they are called perpetual annuities. As the probability of the duration of life at every age is known, so annuities may be purchased for fixed sums during the life of the party. And most commonly referred to as a

LIFE ANNUITY, one where the payment depends on the survivance of some stipulated person and which ceases at death.

ANNUITY-CERTAIN, one which is paid for a specified number of years irrespective of the survivance of any particular person or the happening of any contingency.

TEMPORARY ANNUITY, one which is payable for a specified time. It is a temporary life annuity when it is payable for a specified time contingent upon a life. Such annuity would cease at the termination of the specified time or at an earlier date upon the death of the annuitant. It is an annuity-certain where no life contingency is considered.

CONTINGENT ANNUITY, one which is payable only upon the happening of an event which may occur. Thus: an annuity is payable to a son providing the death of the father occurs within the life-time of the mother, or an annuity which is payable to a son should the death of the father occur within ten years.

REVERSIONARY ANNUITY, one which is being paid to the husband but reverting to the widow upon his death.

SURVIVORSHIP ANNUITY, one which is to commence at the death of a person and payable during the life-time of the beneficiary. Thus: upon the death of a husband the widow receives an annuity for life.

DEFERRED ANNUITY, one which is payable after a specified number of years. Thus: a person may purchase an annuity payable after a specified number of years, thus providing an income for old age.

JOINT LIFE ANNUITY, one which is continuously payable periodically while two or more persons are alive and would cease with the first death.

LAST SURVIVOR ANNUITY, one which is dependant upon two or more lives payable until the death of both. This is also referred to as a Joint and Survivor Annuity.

Application.

A form to be filled out by the purchaser where application is made for insurance and is made a part of the policy contract.

Assets.

All of the property belonging to the company. A distinction is made between admitted assets and gross assets. The latter may include such items as personal security, loans, promissory notes, office furniture, etc., but these items are excluded by the Insurance Departments after they have been deducted, the balance is called the net or admitted assets.

Assignee.

The person to whom the policy contract has been assigned, conveyed or mortgaged. By the laws of some of the States it is considered contrary to public policy, that one person should have an interest in the death of another unless closely related by ties of blood or marriage, and assignments in the absence of such interest are not valid. Generally, however, the purchaser of a policy for value is protected by the law and a creditor may hold a policy to the extent to which he would suffer loss through the death of his debtor but for no more.

Assured or Insured.

(Assured or insured being synonymous terms see "Insured.")

Beneficiary.

The person for whose benefit the insurance has been effected. A life insured must always be named in the policy contract and often a stipulated beneficiary is also mentioned. Sometimes a third person acquires an interest in the policy, namely, the assignee.

Bonus.

This word is sometimes used to denote the share or surplus under a policy, but is seldom used in America the word "dividend" being supplanted.

Brokerage.

This term in life insurance is generally applied to the remuneration of an agent who is instrumental in effecting the issuance of a policy, when such remuneration takes the form of a single cash payment upon completion of the transaction, often a percentage of the first premium under the policy.

Claims.

This word is used most exclusively to denote claims by death, as death claims, and the word might also be held to cover surrender values drawn in cash, endowments which mature by survivance and other obligations on the part of the company.

Commission.

The remuneration to an agent for his services, based upon the premiums collected. A commission is also paid to agents on the second and subsequent premiums paid the company for a specified number of years, or the full time the policy remains in force.

Company.

A number of persons associated together for a certain business enterprise. In a life insurance company the purpose is to afford protection for those dependant

upon the members against loss by death. The organization of a company generally implies the election of a Board of Directors to manage the affairs of the company, appoint executive officers, etc. In a mutual company the directors are elected by the policy-holders, sometimes by personal votes, but more frequently by proxies. In a Stock company the policy-holders have the additional guarantee of the capital subscribed by the stockholders, who elect the directors and who are generally entitled to share in the profits of the company. A pure stock insurance Company, in which all the profits belong to the stockholders, is now practically unknown.

Contribution Plan.

A method of distributing the surplus of a life insurance company based on the following principles:

The policy is credited with the premiums paid and with interest earned thereon. It is then debited with expenses of management, the cost of insurance, and the policy value at the date of computation. The credits over the debits represents the surplus contributed by the policy.

Cost of Insurance.

The actual mortality risk incurred by a life insurance company. The aggregated cost of insurance experienced by a company in a year consists of the total claims by death, less the policy values released on the termination of the contracts. The expected cost of insurance is the mortality portion of the net premium accumulated to the end of the year, and consists of the rate of mortality, under the table adopted, multiplied by the net amount at risk. (See Risk.)

Distribution.

A dividing up: apportionment; this word is generally applied to the division of surplus in an insurance company. It is the act of allotting to individual pol-

icy-holders the share in the total surplus to which each is entitled.

DISTRIBUTION PERIOD.—The time over which a distribution of dividends is calculated; sometimes used as the exact time at which the distribution takes place.

Dividend.

A part or share; particularly, the share of the interest or profit of stock in trade or other investment, which belongs to each proprietor according to his pro rata proportion of the stock or capital; as a bank-dividend. In life insurance the meaning is in conformity, and the word expresses the share of surplus earned by and allotted to any policy.

The dividends to life insurance policy-holders are variously distinguished as annual, deferred, accumulation, cash, reversionary and contingent.

ANNUAL DIVIDENDS.—Where dividends are paid annually the amount so paid represents the amount of cash surplus earned by any policy in the preceding year.

DEFERRED OR ACCUMULATED DIVIDENDS.—Where the dividends calculated annually are left with the company to accumulate for a specified number of years, the dividends so left are apportioned and paid to those who are alive and their policies in force. The distribution is generally paid in cash or to be applied to reduce future premiums. Sometimes this cash dividend may remain undrawn and be payable with accumulated interest together with the sum insured.

CASH AND REVERSIONARY DIVIDENDS.—The distinction between these two forms of dividend is that the former is a sum payable at once, while the latter is an equivalent larger sum payable at death. Where the reversionary plan is adopted the cash surplus is applied as a single premium to purchase a paid-up addition to the sum insured, due at the same time as the face value of the policy. The death rate

and the interest worth of money are taken into consideration in fixing the equivalent amount of reversionary dividend, with the result that the same sum is payable if the insured die immediately after the reversion as will be paid if he survive for many years.

When cash dividends remain undrawn, on the other hand, a smaller amount is payable in event of earlier death than if the life insured were to survive many years, because in the latter case the interest accumulations over the entire period increase the dividend payment.

CONTINGENT DIVIDEND.—This assumes the nature of a pure endowment, and is payable only if the insured survives a fixed period, or in the event of some other contingency being fulfilled.

Endowment.

PURE ENDOWMENT.—A pure endowment is the form of policy which provides a sum of money after a specified number of years, provided some stipulated person be alive at that time. In such case the benefit is lost if the stipulated person should die before the date agreed upon.

The word "Endowment" is often used as meaning the same as, ENDOWMENT INSURANCE. This form of policy combined the Pure Endowment above mentioned with the result that the sum insured is payable either at death within the specified period or on survivance. The Endowment Insurance is a very popular form of policy, but the Pure Endowment is almost obsolete; hence the word "Endowment" in popular usage generally refers to an Endowment Insurance and not to a Pure Endowment. Correctly speaking there is no such thing as Endowment Insurance. It is Endowment and Insurance.

Expectation of Life.

The average after lifetime at a specified age. This result is obtained by adding together the periods lived

by each one of a body of persons, all of the same age, and dividing the results by the total number of persons. It is incorrect to use the expectation of life as a basis for monetary calculations.

COMPLETE AND CURTATE EXPECTATION.—When the above result is obtained accurately by taking into account fractions of a year, the expectation is called "complete"; but when only the number of full years lived by each person is used, the fraction of a year in the year of death being ignored, the phrase "curtate expectation" is used. Accordingly, the latter is always less than the former by approximately half a year.

Expected.

An adjective used to distinguish from the actual results of experience the figures which would result if the tabulated death rate were to be exactly reproduced. Thus we have the "expected" deaths and the "actual" deaths, "expected" cost of insurance and the "actual" cost of insurance, etc. As mortality tables differ from each other, the "expected" results in like manner differ according to the table employed in computation. (See Mortality Table, Article 328.)

Extended Insurance.

This consists in carrying the nominal risk, as shown by the face value of a policy, for a period of time as temporary insurance. No further premiums are payable. This is one of the forms of surrender value prescribed by statute. It is sometimes also called Continued Insurance.

Forfeiture.

The loss of a valuable right or benefit through the violation of or omission to observe, an essential condition. When applied to a life insurance policy the causes which most commonly result in the forfeiture of the same are:

1. Non-payment of premium when due;

2. Fraud or misrepresentations in obtaining a policy.

3. Proceeding to an unhealthy climate, undertaking some hazardous occupation, or committing suicide within a limit of time after the policy is taken; and

4. The lack of insurable interest on the part of the person who effected the policy.

The third of the above causes is generally covered in American companies after two years from the date of issue of any policy; in some instances policies are free in this respect from the commencement. Under the second and fourth causes the policy may be considered void from the beginning; but the avoidance of the risk cannot be established until the fraud or lack of insurable interest is proved; these conditions are therefore much the same as forfeiture.

Impaired.

An adjective sometimes used to distinguish a person who is unsuitable for the issue of a policy of insurance in the healthy class; literally below par; not equal to the average. Impaired risks are sometimes accepted in a special class by themselves or with extra premiums which correspond to the extent of the impairment.

Instalment Policy.

A contract under which the sum insured, instead of being payable in one sum at death or on maturity, is payable in equal annual instalments thereafter. For example, a Whole Life Policy for $10,000, payable in twenty instalments, would secure $500 each year for twenty years after the death of the insured. It follows that the rate of premiums appears small in relation to the face value of the policy, because when the sum insured is payable in instalments its value is considerably smaller at the date of death. The premium therefore for the policy mentioned in the above example would be approximately three-quarters of the pre-

mium required for a policy of $10,000 payable in cash at death.

CONTINUOUS INSTALMENTS.—When a beneficiary is named, and when the policy provides that the annual instalment shall be payable not only for a fixed number of years certain, but also for as many years as the beneficiary may live, the policy is said to be a continuous instalment policy. Should the beneficiary die before the policy becomes a claim, the premium is generally reduced to the regular fixed instalment rate, and the minimum number of instalments are paid when matured by death. Otherwise another beneficiary may be named if the proper increase in premium be paid annually. The policy is a survivorship annuity under another name, and with the guarantee of a fixed number of payments whether the annuitant be alive or dead.

Insurable Interest.

The liability by one person to suffer pecuniary loss on the death of another. The law recognizes several kinds of insurable interest: A wife has an insurable interest in her husband's life, and vice versa under certain conditions; children in their father's life; children in their widowed mother's life; father and mother in their children's life; sister in her brother's life, and vice versa under certain conditions; a person in a near relative when dependant; or a creditor has an insurable interest in his debtor's life.

The law is very rigid in providing that one person cannot insure the life of another unless he has some insurable interest and would suffer pecuniary loss by the death of that other person. The reason for the enforcement of this law is obvious; insurance effected in the absence of such interest would be contrary to public policy; this would provide a motive for crime.

Insurance.

A term applied to the guarantee of a monetary payment as compensation on the happening of some untoward event, in consideration of an immediate cash payment, or number of annual payments. In its basic principle it consists in the combination of many persons to protect each individual against some contingency which may happen soon, which may be long deferred, or which may never happen.

LIFE INSURANCE involves the payment of a sum of money on the death of some stipulated person, the life insured, in consideration of the receipt of a specific premium. It is distinguished by several names according to the class of business transacted, or according to the nature of the company undertaking the obligation, as follows:

INSURANCE COMPANY.—An organization formed for the granting of insurance. In life insurance, companies are generally divided in two classes: (1) Mutual companies where the policy-holders have the supreme control and elect Directors, and (2) Stock Companies where Directors are elected by the stockholders, who are frequently entitled to a share of the surplus.

In early years there were several stock companies in which the entire surplus belonged to stockholders; and an attempt was then made to distinguish a third class of company as a "Mixed" company because in such cases the policy-holder had a share in the surplus. At the present time all stock companies give policyholders a large share in the surplus, so that this distinction is no longer necessary. The principal difference between a mutual and a stock company now lies in the method of electing Directors. (See "Company.")

ASSESSMENT INSURANCE.—This is a form of mutual protection which originated in the practice of calling for a donation from each member of a Society

for the family of a deceased member. It is still conducted partly in this manner, and the proceeds under any certificate of membership are frequently limited to the assessments levied upon the surviving members in consequence of the death or deaths which have occurred. The payment at the death of a member, therefore, varies according to the number of members, the amount of assessment paid by each, and the number of deaths.

Sometimes assessments are levied in advance, and in such cases a fixed amount is usually guaranteed at death.

FRATERNAL INSURANCE, is conducted by an association without capital stock, carried on solely for the mutual benefit and protection of its members, having a lodge system and representative form of government.

LEGAL RESERVE OR OLD-LINE INSURANCE.—This term is generally applied to life insurance conducted on scientific principles, under which a policy value is carried in respect of each contract in force.

INDUSTRIAL INSURANCE.—This is a form of Legal Reserve Life Insurance, generally for small amounts under which the premiums are payable in weekly or monthly instalments. Its original design was to provide insurance by weekly premiums for the industrial classes, hence the adoption of the word.

When premiums are payable at longer intervals than once a month, the same policy would be called ordinary; the distinguishing feature, therefore, is in the payment of premiums at frequent intervals.

Premiums are usually collected each week.

INSURANCE DEPARTMENT.—That Department of the State government which has control of insurance matters.

Insured.

A wrong interpretation is often placed upon this word.

AS AN ADJECTIVE it is commonly used in the phrase "life insured," this being the person on whose life the policy is taken.

AS A NOUN it is most commonly applied with the same meaning as that above given for an adjective.

An attempt has been made to restrict the meaning of "the insured" to the person for whose benefit the policy has been taken, that is, the beneficiary. This is the most correct meaning, but it is not generally understood in this way.

Interest.

Premium paid for the use of money. It is generally due and payable at fixed intervals, such as at the end of each year, or half-year, and is computed as a percentage of the sum lent. For example, if $100 were lent out at 6 per cent, payable semi-annually, interest of $3.00 would be due at the end of each six months during the continuance of the loan, the two payments in each year making up the $6.00, or 6 per cent per annum.

SIMPLE AND COMPOUND INTEREST.—When the interest falls due at periodic intervals, and there is the means of enforcing payment at the proper time, there is no difference between simple and compound interest. But if the interest be allowed to run on for a length of time, then under simple interest no additional charge can be made for interest on the unpaid interest. On the other hand, when compound interest is charged, the interest as it falls due becomes part of the "principal" of the loan and thus earns more interest. Subsequent interests, therefore, are charged not only on the original sum lent, but also on the unpaid interest due in the past. In some States it is illegal to charge compound interest because this was considered usurious; this idea is gradually disappearing. When interest is payable in advance, it is frequently called

DISCOUNT.—This is also a payment for the use

of money, but charged in advance. As the payment is made once, discount is a little more valuable to a lender than interest at the same rate. This practice is generally adopted in the banking business and also where a policy-holder secures a loan from the insurance company upon his policy. Where the interest is deducted from the loan in advance the borrower is paying more than the stipulated rate of interest. For example, where $1,000 is borrowed at 6 per cent discount, the $60 deducted would earn 6 per cent interest during the year. Therefore the borrower had actually paid 6.6 per cent interest for the use of the $1,000.

Lapse.

When applied to a life insurance policy it signifies passing from one proprietor to another upon failure to perform certain acts or in violation of certain conditions which cause a forfeiture. Most commonly applied to the termination of a policy through non-payment of a premium. There is this vital distinction between lapse and forfeiture, that a policy may lapse while yet the non-forfeiture provision may apply; the policy lapses, but its value or a fair proportion thereof remains.

Legal Reserve.

(See "Reserve.")

Liability.

This word is used in a general commercial sense to denote any legal obligation for which the company may be liable. In the plural the word LIABILITIES is used in life insurance to cover all obligations, present and future, including death claims filed but not approved, dividends apportioned but not paid, commissions on premiums outstanding, surrender values which may be claimed on lapsed policies, as well as the present value of all outstanding policies. This last, in the case of nearly all life insurance companies, is by far the largest item of liability. When the sur-

plus is added to the liabilities above outlined, a balance is effected with the assets.

Life Policy.

Under this form the obligation on the part of the company is that it shall pay a stipulated sum at the death of the insured. If the consideration payable by the insured is an annual premium, so long as he may live, it is called a WHOLE LIFE CONTINUOUS PREMIUM OR PAYMENT POLICY, or an ORDINARY WHOLE LIFE POLICY. If the insured elects to pay the premiums in a limited number of years, the sum insured being still payable at death, it is called A LIMITED PAYMENT POLICY sometimes more specifically, a ten, fifteen or twenty payment policy.

Limited Payment.

This term is generally applied to a form of policy under which the death claim is payable at death, the premiums falling due only for a limited number of years. If the insured lives the premiums cease after a fixed period and the policy or the premiums become "paid-up;" if he die within the period, the premiums cease when the death claim becomes payable. The most popular form is the twenty-payment policy, the premiums being limited to twenty annual payments or ceasing earlier should the insured's death occur.

Loading.

The sum by which the premium for a policy of insurance exceeds the net rate required for the risk (see "Premium"). The additional payment is necessary in order to meet expenses, provide against adverse fluctuation, and furnish part of the surplus for distribution.

Mortality.

Actual demise of deaths in a stated time or given community; hence the ratio of the number of per-

sons dying in a year to the total number alive at the beginning of a year and under observation.

LIGHT mortality is spoken of when the number dying is less than the tabulated statistics lead one to anticipate; the converse is HEAVY mortality. In Life Insurance the terms favorable and unfavorable for light and heavy mortality are frequently used.

EXPECTED MORTALITY.—The deaths which would take place amongst a number of persons, as in an insurance company, if the rate of dying were to agree exactly with some specified mortality table.

MORTALITY TABLE.—The instrument by means of which are measured the probabilities of living and dying.

A mortality table generally records the number of persons remaining alive at each age out of a fixed number born (such as 10,000 or 100,000, called the "radix" of the table), also the number dying between the respective ages. The radix may, however, commence at any convenient age, and in life insurance table generally commences at age 10. The American table terminates at age 96.

Non-Forfeiture.

This term is applied to certain laws and policy provisions which secure to policy-holders a fair value for their contracts if they should be allowed to lapse. The most general provision is that a large proportion of the policy value shall be applied EITHER to purchase paid-up insurance at the attained age of the insured, payable at the same time and under the same conditions (except as to payment of premiums) as the original policy, or to extend the face value of the original policy as term insurance for such time as the cash value will purchase when applied as a single premium. By the laws of some States, it is further provided that a proportion of the value may be withdrawn in cash.

The provisions of law generally stipulate that the values must be claimed within a reasonable time after the lapse of the policy for non-payment of premium.

This time varies in different States from six months in New York to five years (fixed by legal decisions, not by enactment) in Tennessee. In Massachusetts the law stipulates that paid-up insurance will be granted automatically "without any further stipulation or act," so that application for this right is unnecessary. (See Article 322.) This law only applies to Massachusetts companies.

Life insurance companies generally are more liberal in their conditions than even the strictest laws require, and amongst other features have introduced:

AUTOMATIC NON-FORFEITURE.—This term implies that the value of any policy contract at the date of lapse will be used without request by the insured, or without action on his part, towards preserving his equity.

This is done in various ways, (1) by extending the face value of the policy under term insurance, (2) by providing (as in the case of the Massachusetts law) a paid-up policy for an equitable amount, and (3) in a few instances, by applying the value to maintain the policy in full force, subject to an indebtedness to the extent of the unpaid premium which is advanced by the company as a loan against the policy. Each one of these three plans has much to be said in its favor and has its own advocates. Under the first and third plans the insurance protection is maintained at the largest possible figure, but the reserve value of the policy is necessarily used in maintaining this protection.

Under the second plan the policy value will increase the longer the paid-up policy remains in force, and a small amount of protection is available at any time. On the other hand, however, the reduction in the sum insured at the date of lapse is frequently large, and

the insured cannot obtain the protection he formerly possessed without undergoing a new medical examination. The third plan entirely meets this latter objection, because the policy may be reinstated in full force on payment only of the premiums which have been advanced by the company with interest. Some of the State laws regulating non-forfeiture are given in Chapter XVI, and there is included also the old non-forfeiture laws in Massachusetts which have since been changed. These old laws, however, still apply to policies issued by Massachusetts companies while they were in force, and therefore they are still of practical importance, in addition to being valuable historically as giving an indication of the trend of thought and development of this non-forfeiture question.

Option.

The right of choice; usually the word is used as meaning the right to enter into or reject a contract at a specific time. The various alternatives under a policy of insurance when surplus is distributed are spoken of as options.

At that time the holder of the policy may take either a cash payment or apply the same to the purchase of additional insurance, or the purchase of an annuity to reduce future premiums.

Paid-Up Insurance.

This represents an obligation on the part of an insurance company to pay the death claim when the corresponding obligation on the part of the insured for payment of premiums has been fully satisfied. Properly speaking, it is the premiums that are "paid-up", not the insurance, and the more correct expression would, therefore be "insurance with premiums paid-up." The actual insurance remaining in the death claim cannot be "paid-up."

Policy.

The documentary evidence of a contract of indemnity between the insurer and the insured. The full contract of life insurance generally consists of an application by the insured, including statements made by him to a medical examiner called medical report, and the policy issued by the company.

POLICY YEAR.—A year dating from issue, or the renewal date of a policy.

Policy Value.

Commonly spoken of as the "Reserve"; that is, the fund which has accumulated out of the net premiums payable under any policy. On the average this fund, together with the net premiums to be received in future, is the exact mathematical equivalent of the obligation incurred by the company to pay the death claim.

TERMINAL VALUE.—The policy value is most conveniently calculated at the end of a policy year when a premium is just due, and before payment of such premium. The value at this time is called the Terminal Value or the Terminal Reserve under a policy.

MEAN VALUE.—When a valuation of the policies of a company is being made at a fixed date, the Terminal Values above explained do not in general apply, because the premiums fall due at various intervals throughout the year. It is generally assumed in a company valuation that premiums fall due with regularity over the year, and this is approximately correct. The policy values are therefore computed as MEAN Values by taking the arithmetical mean between (1) the Terminal Value of the current year, and (2) the Terminal Value of the preceding year plus one year's net premium.

Premium.

The amount payable by a person effecting an insurance in consideration of the benefit to be obtained.

The root of the word (L. PRIMS. first) implies that it is payable in advance, and this is the general practice; the policy of insurance does not go into effect until the first premium has been paid. Premiums are most frequently payable annually, but by making an interest charge for the unpaid portion of the premium, equal to the amount of interest the company would realize were the premiums paid in full, they may be paid in semi-annual or quarterly instalments. In such cases if the insured should die after paying one semi-annual instalment of a full year's premium, then in such case the balance or unpaid portion of the current year's premium is deducted from the amount of the death claim. Practically, therefore, the premiums remain annual premiums, but they are accepted in instalments as a convenience for the policyholder.

EXTRA PREMIUM.—The premium charged in addition to the normal rate on account of some additional hazard incurred by the insured. The most usual cause for extra premiums are, (1) occupation, and (2) foreign residence. Occasionally an extra premium is also imposed because of impaired health on the life insured.

NET PREMIUM.—This is the exact mathematical equivalent of the benefit guaranteed, according to the table of mortality and rate of interest used in the calculation. It is the basis on which insurance companies form the gross premium.

GROSS PREMIUM.—The premium charged for a stipulated death claim. It generally consists of the net premium, plus the insured's share contributed for expense of management, possible dividends and investment features.

SINGLE PREMIUM.—When an insurance or annuity benefit is purchased for one payment only, this payment is called the single premium. For example, the net single premium at age 30 by the American

Experience Table at 3½ per cent is $337.02; this is the exact equivalent of $1,000 payable at the death of a person of the age 30 when 3½ per cent interest during life is allowed for, and the chance of death in any year by that table is taken into consideration.

PREMIUM NOTES.—Promissory notes given by policy-holders in part payment of their premiums. In all cases these notes are secured by the value of the policy. Sometimes they run for a short period only, thereby giving the insured facility for paying part of his premium at a later date. Sometimes they are drawn for a fixed proportion of each premium and become due only when the policy ceases to be in force, or when a dividend is declared, or a claim arises. They are in the nature of policy loans as an evidence of indebtedness.

Quinquennial.

Occurring once in five years, or lasting five years. In life insurance it is generally used to denote the plan for apportioning or paying the dividends accruing on a policy. Thus: The dividends are payable quinquennial on a twenty-payment life policy, meaning the dividends are payable the 5th, 10th, 15th and 20th years.

Renewal.

An adjective applied to those premiums paid after the first year, by means of which a policy is renewed and kept in force. Hence it is also applied to renewal commission, being the commission paid on renewal premiums. Such commissions are often referred to as an agent's renewals.

Reserve.

This word is generally used to denote the net value of all policies of a company remaining in force on a fixed date (see "POLICY VALUE").

The aggregate policy values are ascertained liabilities, so that when used in this way, the word Reserve

has a different meaning from that commonly employed in commercial circles, when the reserve fund is something set apart as a future protection over and above the ascertained liabilities. The word reserve is applied to that portion of the premium paid the company to create the cash values of the policy.

Risk.

Chance of loss. Often used in life insurance to denote the person on whom a policy has been issued, who is spoken of as "a good risk" or "an impaired risk." AMOUNT AT RISK is the difference between the face value of the policy of insurance and the policy value held in the assets against it. This is the sum which has to be taken from the general mortality fund of the company, if the insured should die, and upon which the cost of insurance is calculated.

Surplus.

Excess above what is required. The sum by which the assets of a Life Insurance Company exceed its liabilities. Like the word "assets," therefore, it is distinguished by the adjectives gross, net, and admitted. The two latter refer to the surplus credited by the Insurance Department to an Insurance Company, while the former may include certain assets which, by the practice of Insurance Departments would be excluded, or not admitted.

Surrender.

To cease to claim; to relinquish; a word used in life insurance generally to imply the voluntary discontinuance of a policy of insurance, and claiming of the value which may then be allowed by the company. The SURRENDER VALUE is the equivalent given by an Insurance Company to a policy-holder on his relinquishing his rights under the policy. Such surrender values are usually payable in one of three

forms: (1) Cash; (2) PAID-UP Insurance; or (3) Extended Insurance.

Tontine.

This peculiar word is derived from the name of an Italian, Leonardo Tonti, who first suggested the form of investment or speculation, which now goes under the name of a Tontine. It is a fund subscribed with the understanding that it will accumulate for a specified time, and thereafter be divided amongst the surviving contributors. Tontines are now practically unknown, and have been little used since the beginning of the 19th century. The word is frequently used in life insurance to distinguish a certain form of surplus, spoken of as a

TONTINE DIVIDEND.—This form of dividend was popular so long as it was the practice to forfeit entirely the policy value in event of the insured discontinuing payment of premiums. When the practice of guaranteeing liberal surrender values arose, the Tontine Dividend form of distribution to a great extent was discontinued. Policies which were entitled to a Tontine Dividend were placed in a class by themselves, and the premiums were accumulated for the specific benefit of the members of that class. The expenses of management and claims by death applicable to the class were charged out and, at the end of the Tontine period the aggregate policy values were also deducted from the fund. The remainder was the surplus which was distributed amongst the policy-holders then existing. Usually also the right was given at that time to withdraw the entire policy value. At the termination of a Tontine period, therefore, the entire fund contributed by the members of any specific class was understood to be terminated.

SEMI-TONTINE DIVIDENDS.—This form was introduced after it became customary to pay surrender values on the discontinuance of policies after being three years in force. It is practically the equivalent of

a deferred dividend policy, and the latter name is now generally preferred. The semi-tontine or deferred dividend policies are becoming very unpopular.

Valuation.

The process of ascertaining the liabilities of an insurance company under its outstanding policies. Valuation consists in striking a balance between the present value of the obligations on the part of the company and the present value of the premiums to be received from policy-holders.

The practice of companies (almost invariable in America) is to take credit only for net premiums on the assumption that the loadings are thereby left intact to meet future expense in connection with the business. Valuation by this process is known as Net Premium Valuation, or more shortly, NET VALUATION. When the gross premiums actually payable are valued and taken credit for, the process is called one of GROSS PREMIUM VALUATION. This method does not make sufficient allowance for future expense; although this may be done by deducting a percentage from the value of the premiums.

326. Compound Interest Table. One Dollar Principal.

The sum to which One Dollar Principal will increase at Compound Interest, in any number of years indicated, at 3, 3½, 4, 5 and 6 per cent per annum.

End of Years.	3%	3½%	4%	5%	6%
1	$1.030	$1.035	$1.040	$1.050	$1.060
2	1.060	1.071	1.081	1.102	1.123
3	1.092	1.108	1.124	1.157	1.191
4	1.125	1.147	1.169	1.215	1.262
5	1.159	1.187	1.216	1.276	1.338
6	1.194	1.229	1.265	1.340	1.418
7	1.229	1.272	1.315	1.407	1.503
8	1.266	1.316	1.368	1.477	1.593
9	1.304	1.362	1.423	1.551	1.689
10	1.343	1.410	1.480	1.628	1.790
11	1.384	1.460	1.539	1.710	1.898
12	1.425	1.511	1.601	1.795	2.012
13	1.468	1.564	1.665	1.885	2.132
14	1.512	1.618	1.731	1.979	2.260
15	1.558	1.675	1.800	2.078	2.396
16	1.604	1.734	1.873	2.182	2.540
17	1.652	1.794	1.947	2.292	2.692
18	1.702	1.857	2.025	2.406	2.854
19	1.753	1.922	2.106	2.527	3.025
20	1.806	1.989	2.191	2.653	3.207
21	1.860	2.059	2.278	2.786	3.399
22	1.916	2.131	2.369	2.925	3.603
23	1.973	2.206	2.464	3.071	3.819
24	2.032	2.283	2.563	3.225	4.048
25	2.093	2.363	2.665	3.386	4.291
26	2.156	2.446	2.772	3.555	4.549
27	2.221	2.531	2.883	3.733	4.822
28	2.287	2.620	2.998	3.920	5.111
29	2.356	2.711	3.118	4.116	5.418
30	2.427	2.806	3.243	4.321	5.743
31	2.500	2.905	3.373	4.538	6.088
32	2.575	3.006	3.508	4.764	6.453
33	2.652	3.111	3.648	5.003	6.840
34	2.731	3.220	3.794	5.253	7.251
35	2.813	3.333	3.946	5.516	7.686
36	2.898	3.450	4.103	5.791	8.147
37	2.985	3.571	4.268	6.081	8.636
38	3.074	3.696	4.438	6.385	9.154
39	3.167	3.825	4.616	6.704	9.703
40	3.262	3.959	4.801	7.040	10.285

327. One ($1) Per Annum in Advance.

One Dollar per Annum in Advance. The sum to which One Dollar per Annum, paid at the beginning of each year will increase at compound interest in any number of years not exceeding forty at 3, 4½, 5, 5½, 6 per cent per annum.

Yrs.	3 per Cent	4 per Cent	4½ per Cent	5 per Cent	5½ per Cent	6 per Cent
1	1.030	1.040	1.045	1.050	1.055	1.060
2	2.091	2.122	2.137	2.153	2.168	2.184
3	3.184	3.246	3.278	3.310	3.342	3.375
4	4.309	4.416	4.471	4.526	4.581	4.637
5	5.468	5.633	5.717	5.802	5.888	5.975
6	6.662	6.898	7.019	7.142	7.267	7.394
7	7.892	8.214	8.380	8.549	8.722	8.897
8	9.159	9.583	9.802	10.027	10.256	10.491
9	10.464	11.003	11.288	11.578	11.875	12.181
10	11.808	12.486	12.811	13.207	13.583	13.972
11	13.192	14.026	14.464	14.917	15.385	15.870
12	14.618	15.627	16.160	16.713	17.287	17.882
13	16.086	17.292	17.932	18.599	19.292	20.015
14	17.599	19.024	19.784	20.579	21.409	22.276
15	19.157	20.825	21.719	22.657	23.641	24.673
16	20.762	22.698	23.742	24.840	25.996	27.213
17	22.414	24.645	25.855	27.132	28.481	29.906
18	24.117	26.671	28.064	29.539	31.103	32.760
19	25.870	28.778	30.371	32.066	33.868	35.786
20	27.676	30.969	32.783	34.719	36.786	38.993
21	29.537	33.248	35.303	37.505	39.864	42.392
22	31.453	35.618	37.937	40.430	43.112	45.996
23	33.426	38.083	40.689	43.502	46.538	49.816
24	35.459	40.646	43.565	46.727	50.153	53.865
25	37.553	43.312	46.571	50.113	53.966	58.156
26	39.710	46.084	49.711	53.669	57.989	62.706
27	41.931	48.968	52.993	57.403	62.233	67.528
28	44.219	51.966	56.423	61.323	66.711	72.640
29	46.575	55.085	60.007	65.439	71.435	78.058
30	49.003	58.328	63.752	69.761	76.419	83.802
31	51.503	61.701	67.666	74.299	81.677	89.890
32	54.078	65.210	71.756	79.064	87.225	96.343
33	56.730	68.858	76.030	84.067	94.077	103.184
34	59.462	72.652	80.497	89.320	99.251	110.435
35	62.276	76.598	85.164	94.836	105.765	118.121
36	65.174	80.702	90.041	100.628	112.637	126.268
37	68.159	84.970	95.138	106.710	119.887	134.904
38	71.234	89.409	100.464	113.095	127.536	144.058
39	74.401	94.026	106.030	119.800	135.606	153.762
40	77.663	98.827	111.847	126.840	144.119	164.048

328. American Table of Mortality. Ages 20 to 96. With Death Rate Per 1,000 and "Expectation of Life."

Age	Number Living	Deaths Each Year	Death Rate Per 1,000	Expectation of Life
20	92,637	723	7.80	42.20
21	91,914	722	7.85	41.53
22	91,192	721	7.91	40.85
23	90,471	720	7.96	40.17
24	89,751	719	8.01	39.49
25	89,032	718	8.06	38.81
26	88,314	718	8.13	38.12
27	87,596	718	8.20	37.43
28	86,878	718	8.26	36.73
29	86,160	719	8.34	36.03
30	85,441	720	8.43	35.33
31	84,721	721	8.51	34.63
32	84,000	723	8.61	33.92
33	83,277	726	8.72	33.21
34	82,551	729	8.83	32.50
35	81,822	732	8.95	31.78
36	81,090	737	9.09	31.07
37	80,353	742	9.23	30.35
38	79,611	749	9.41	29.62
39	78,862	756	9.59	28.90
40	78,106	765	9.79	28.18
41	77,341	774	10.01	27.45
42	76,567	785	10.25	26.72
43	75,782	797	10.52	26.00
44	74,985	812	10.83	25.27
45	74,173	828	11.16	24.54
46	73,345	848	11.56	23.81
47	72,497	870	12.00	23.08
48	71,627	896	12.51	22.36
49	70,731	927	13.11	21.63
50	69,804	962	13.78	20.91
51	68,842	1,001	14.54	20.20
52	67,841	1,044	15.39	19.49
53	66,797	1,091	16.33	18.79
54	65,706	1,143	17.40	18.09
55	64,563	1,199	18.57	17.40

Age	Number Living	Deaths Each Year	Death Rate Per 1,000	Expectation of Life
56	63,364	1,260	19.88	16.72
57	62,104	1,325	21.33	16.05
58	60,779	1,394	22.94	15.39
59	59,385	1,468	24.72	14.74
60	57,917	1,546	26.69	14.10
61	56,371	1,628	28.88	13.47
62	54,743	1,713	31.29	12.86
63	53,030	1,800	33.94	12.26
64	51,230	1,889	36.87	11.67
65	49,341	1,980	40.13	11.10
66	47,361	2,070	43.71	10.54
67	45,291	2,158	47.65	10.00
68	43,133	2,243	52.00	9.47
69	40,890	2,321	56.76	8.97
70	38,569	2,391	61.99	8.48
71	36,178	2,448	67.66	8.00
72	33,730	2,487	73.73	7.55
73	31,243	2,505	80.18	7.11
74	28,738	2,501	87.03	6.68
75	26,237	2,476	94.37	6.27
76	23,761	2,431	102.31	5.88
77	21,330	2,369	111.06	5.49
78	18,961	2,291	120.83	5.11
79	16,670	2,196	131.73	4.74
80	14,474	2,091	144.47	4.39
81	12,383	1,964	158.60	4.05
82	10,419	1,816	174.30	3.71
83	8,603	1,648	191.56	3.39
84	6,955	1,470	211.36	3.08
85	5,485	1,292	235.55	2.77
86	4,193	1,114	265.68	2.47
87	3,079	933	303.02	2.18
88	2,146	744	346.69	1.91
89	1,402	555	395.86	1.66
90	847	385	454.54	1.42
91	462	246	532.47	1.19
92	216	137	634.26	.98
93	79	58	734.18	.80
94	21	18	857.14	.64
95	3	3	1,000.00	.50

329. Table Showing the Net and Gross Natural Cost of $1000.00 Insurance for One Year at 3 Per Cent American Table.

Age	Net	Gross	Age	Net	Gross	Age	Net	Gross
20	$ 7.58	$10.11	46	$11.23	$14.97	72	$ 71.59	$ 95.45
21	7.63	10.17	47	11.65	15.53	73	77.84	103.79
22	7.68	10.24	48	12.14	16.19	74	84.49	112.65
23	7.73	10.31	49	12.72	16.96	75	91.62	122.16
24	7.78	10.37	50	13.38	17.84	76	99.33	132.44
25	7.83	10.44	51	14.12	18.83	77	107.83	143.77
26	7.89	10.52	52	14.94	19.92	78	117.31	156.41
27	7.96	10.61	53	15.86	21.15	79	127.90	170.53
28	8.02	10.69	54	16.89	22.52	80	140.26	187.01
29	8.10	10.80	55	18.03	24.04	81	153.99	205.32
30	8.18	10.91	56	19.31	25.75	82	169.22	225.63
31	8.26	11.01	57	20.71	27.61	83	185.98	247.97
32	8.36	11.15	58	22.27	29.69	84	205.20	273.60
33	8.46	11.28	59	24.00	32.00	85	228.69	304.92
34	8.57	11.43	60	25.92	34.56	86	257.94	343.92
35	8.69	11.59	61	28.04	37.39	87	294.19	392.25
36	8.82	11.76	62	30.38	40.51	88	336.59	448.79
37	8.97	11.96	63	32.95	43.93	89	384.33	512.44
38	9.13	12.17	64	35.80	47.73	90	441.31	588.41
39	9.31	12.41	65	38.96	51.95	91	516.96	689.28
40	9.51	12.68	66	42.43	56.57	92	615.79	821.05
41	9.72	12.96	67	46.26	61.68	93	712.79	950.39
42	9.95	13.27	68	50.49	67.32	94	832.18	1009.57
43	10.21	13.61	69	55.11	73.48	95	970.87	1294.49
44	10.51	14.01	70	60.19	80.25	96	1000.00	1333.33
45	10.84	14.45	71	65.69	87.59			

330. Net Annual Premiums for $1000, American Table and 3 Per Cent.

Age	Single Premium	Ordinary Life	10 Pay Life	15 Pay Life	20 Pay Life	10 Year Endow.	15 Year Endow.	20 Year Endow.	10 Year Term	15 Year Term	20 Year Term
20	$330.94	$14.41	$38.96	$28.34	$23.13	$88.59	$56.49	$40.77	$ 7.80	$ 7.95	$ 8.14
21	335.68	14.72	39.52	28.75	23.48	88.61	56.53	40.81	7.86	8.02	8.23
22	340.57	15.04	40.11	29.18	23.83	88.64	56.56	40.86	7.92	8.10	8.32
23	345.62	15.38	40.71	29.63	24.20	88.67	56.60	40.90	7.99	8.18	8.42
24	350.82	15.74	41.34	30.09	24.59	88.71	56.64	40.95	8.06	8.27	8.54
25	356.18	16.11	41.98	30.57	24.98	88.74	56.69	41.01	8.14	8.37	8.66
26	361.72	16.51	42.65	31.06	25.39	88.78	56.73	41.07	8.22	8.47	8.79
27	367.43	16.92	43.34	31.57	25.82	88.82	56.78	41.13	8.31	8.58	8.94
28	373.32	17.35	44.05	32.09	26.26	88.86	56.84	41.20	8.41	8.71	9.10
29	379.39	17.81	44.78	32.64	26.71	88.91	56.90	41.28	8.52	8.85	9.28
30	385.64	18.28	45.54	33.20	27.19	88.96	56.97	41.37	8.64	9.00	9.48
31	392.09	18.79	46.32	33.79	27.68	89.02	57.04	41.47	8.77	9.16	9.71
32	398.73	19.32	47.13	34.39	28.19	89.08	57.12	41.57	8.91	9.34	9.96
33	405.58	19.87	47.97	35.02	28.72	89.15	57.21	41.69	9.06	9.55	10.24
34	412.63	20.46	48.83	35.67	29.27	89.22	57.31	41.82	9.23	9.77	10.55
35	419.88	21.08	49.73	36.34	29.85	89.30	57.42	41.97	9.42	10.03	10.91
36	427.36	21.74	50.65	37.04	30.45	89.39	57.54	42.13	9.63	10.31	11.30
37	435.04	22.43	51.60	37.76	31.08	89.49	57.67	42.31	9.86	10.63	11.74
38	442.95	23.16	52.59	38.51	31.74	89.60	57.82	42.52	10.12	11.00	12.24
39	451.07	23.93	53.61	39.30	32.42	89.72	57.99	42.75	10.41	11.40	12.78

Age	Single Premium	Ordinary Life	10 Pay Life	15 Pay Life	20 Pay Life	10 Year Endow.	15 Year Endow.	20 Year Endow.	10 Year Term	15 Year Term	20 Year Term
40	459.42	24.75	54.66	40.11	33.14	89.86	58.18	43.01	10.73	11.86	13.40
41	468.00	25.62	55.75	40.96	33.90	90.01	58.39	43.31	11.10	12.37	14.08
42	476.80	26.54	56.89	41.85	34.69	90.18	58.64	43.64	11.52	12.95	14.83
43	485.83	27.52	58.06	42.77	35.53	90.38	58.91	44.01	12.00	13.59	15.67
44	459.10	28.56	59.28	43.74	36.42	90.60	59.22	44.43	12.54	14.31	16.60
45	504.59	29.67	60.54	44.76	37.35	90.85	59.57	44.90	13.14	15.12	17.63
46	514.30	30.84	61.85	45.82	38.34	91.14	59.97	45.42	13.83	16.02	18.77
47	524.23	32.09	63.22	46.94	39.39	91.47	60.42	46.01	14.60	17.02	20.02
48	534.37	33.43	64.64	48.12	40.51	91.84	60.92	46.68	15.46	18.13	21.40
49	544.70	34.85	66.12	49.36	41.69	92.26	61.48	47.42	16.43	19.36	22.92
50	555.22	36.36	67.66	50.66	42.95	92.73	62.12	48.24	17.50	20.72	24.57
51	565.89	37.97	69.25	52.03	44.30	93.26	62.82	49.15	18.69	22.22	26.38
52	576.71	39.68	70.92	53.48	45.73	93.84	63.61	50.17	20.01	23.87	28.34
53	587.67	41.51	72.65	55.01	47.26	94.50	64.48	51.30	21.47	25.68	30.47
54	598.74	43.46	74.46	56.63	48.90	95.23	65.45	52.55	23.08	27.67	32.77
55	609.92	45.54	76.34	58.35	50.66	96.04	66.54	53.93	24.86	29.85	35.24
56	621.18	47.76	78.31	60.17	.....	96.95	67.74	.....	26.83	32.24	37.89
57	632.51	50.13	80.38	62.11	.....	97.95	69.07	.....	28.99	34.84	40.74
58	643.89	52.66	82.54	64.18	.....	99.07	70.55	.....	31.37	37.67	43.78
59	655.30	55.37	84.82	66.40	.....	100.31	72.20	.....	33.99	40.73	47.03
60	666.72	58.27	87.22	68.77	.....	101.69	74.02	.....	36.87	44.03	50.50

331. Net Annual Premiums for $1000, American Table and 3½ Per Cent.

Age	Single Premium	Ordinary Life	10 Pay Life	15 Pay Life	20 Pay Life	10 Year Endow.	15 Year Endow.	20 Year Endow.	10 Year Term	15 Year Term	20 Year Term
20	$284.97	$13.48	$34.23	$25.15	$20.72	$86.30	$54.44	$38.90	$ 7.76	$ 7.91	$ 8.09
21	289.40	13.77	34.77	25.55	21.06	86.33	54.47	38.94	7.82	7.98	8.17
22	293.99	14.08	35.33	25.97	21.40	86.36	54.51	38.99	7.88	8.05	8.27
23	298.73	14.41	35.91	26.40	21.76	86.39	54.55	39.04	7.95	8.13	8.37
24	303.65	14.75	36.51	26.84	22.14	86.42	54.59	39.09	8.02	8.22	8.48
25	308.73	15.10	37.13	27.31	22.53	86.45	54.63	39.14	8.10	8.32	8.60
26	314.01	15.48	37.78	27.79	22.93	86.49	54.68	39.20	8.18	8.42	8.73
27	319.47	15.88	38.45	28.29	23.35	86.53	54.73	39.27	8.27	8.53	8.87
28	325.12	16.29	39.14	28.81	23.79	86.58	54.79	39.34	8.37	8.66	9.03
29	330.97	16.73	39.86	29.35	24.24	86.63	54.85	39.42	8.47	8.79	9.21
30	337.02	17.19	40.61	29.91	24.71	86.68	54.92	39.51	8.59	8.94	9.40
31	343.28	17.68	41.38	30.49	25.21	86.73	54.99	39.61	8.72	9.10	9.62
32	349.76	18.19	42.19	31.09	25.72	86.80	55.07	39.72	8.86	9.28	9.87
33	356.46	18.73	43.02	31.72	26.25	86.86	55.16	39.83	9.01	9.48	10.14
34	363.39	19.30	43.88	32.37	26.81	86.94	55.26	39.97	9.18	9.70	10.45
35	370.55	19.91	44.78	33.05	27.40	87.02	55.37	40.12	9.36	9.95	10.80
36	377.95	20.55	45.70	33.75	28.01	87.11	55.49	40.28	9.57	10.24	11.18
37	385.60	21.22	46.67	34.49	28.64	87.21	55.63	40.47	9.80	10.55	11.61
38	393.49	21.94	47.67	35.26	29.31	87.32	55.78	40.68	10.06	10.91	12.10
39	401.63	22.70	48.70	36.05	30.01	87.44	55.95	40.91	10.34	11.31	12.63

Age	Single Premium	Ordinary Life	10 Pay Life	15 Pay Life	20 Pay Life	10 Year Endow.	15 Year Endow.	20 Year Endow.	10 Year Term	15 Year Term	20 Year Term
40	410.03	23.50	49.78	36.89	30.75	87.58	56.14	41.18	10.67	11.76	13.23
41	418.69	24.36	50.89	37.76	31.52	87.73	56.36	41.47	11.03	12.26	13.89
42	427.62	25.26	52.05	38.67	32.34	87.91	56.61	41.81	11.45	12.83	14.63
43	436.81	26.23	53.26	39.62	33.20	88.10	56.88	42.18	11.92	13.46	15.45
44	446.28	27.26	54.51	40.62	34.11	88.33	57.20	42.61	12.45	14.17	16.37
45	456.00	28.35	55.82	41.66	35.07	88.58	57.55	43.08	13.05	14.97	17.37
46	466.00	29.51	57.18	42.77	36.08	88.88	57.95	43.61	13.73	15.85	18.49
47	476.26	30.75	58.59	43.92	37.16	89.21	58.41	44.21	14.50	16.84	19.71
48	486.77	32.07	60.07	45.14	38.31	89.58	58.92	44.88	15.35	17.94	21.06
49	497.52	33.48	61.60	46.42	39.53	90.00	59.49	45.63	16.31	19.15	22.55
50	508.49	34.99	63.20	47.77	40.82	90.48	60.13	46.46	17.37	20.49	24.17
51	519.67	36.59	64.87	49.19	42.20	91.01	60.84	47.39	18.55	21.97	25.94
52	531.04	38.29	66.60	50.69	43.67	91.60	61.63	48.41	19.86	23.60	27.87
53	542.58	40.11	68.41	52.27	45.23	92.26	62.52	49.55	21.30	25.39	29.95
54	554.30	42.06	70.29	53.94	46.91	93.00	63.50	60.81	22.90	27.35	32.21
55	566.15	44.13	72.26	55.71	48.70	93.82	64.59	52.21	24.67	29.50	34.64
56	578.13	46.34	74.32	57.60	50.63	94.73	65.81	53.75	26.62	31.86	37.25
57	590.22	48.71	76.47	59.60	52.69	95.74	67.16	55.45	28.76	34.42	40.04
58	602.39	51.23	78.72	61.73	54.90	96.87	68.65	57.37	31.12	37.21	43.03
59	614.63	53.94	81.09	64.00	57.28	98.12	70.31	59.38	33.72	40.23	46.24
60	626.92	56.83	83.59	66.43	59.85	99.51	72.15	61.65	36.57	43.50	49.66

332. Reserve Values for $1000 Ordinary Life Policies, American Experience, 3 Per Cent.

Age.	1st Year.	2d Year.	3d Year.	4th Year.	5th Year.	6th Year.	7th Year.	8th Year.	9th Year.	10th Year.
20	$7.09	$14.40	$21.94	$29.71	$37.73	$46.01	$54.54	$63.34	$72.41	$81.76
21	7.36	14.95	22.79	30.86	39.20	47.79	56.65	65.79	75.21	84.91
22	7.65	15.54	23.68	32.07	40.73	49.66	58.86	68.35	78.12	88.20
23	7.95	16.15	24.61	33.34	42.33	51.61	61.17	71.02	81.17	91.64
24	8.27	16.80	25.59	34.66	44.01	53.64	63.57	73.81	84.36	95.21
25	8.60	17.47	26.61	36.04	45.76	55.77	66.09	76.72	87.67	98.94
26	8.94	18.17	27.68	37.48	47.58	57.99	68.71	79.75	91.12	102.83
27	9.31	18.90	28.79	38.98	49.49	60.31	71.45	82.92	94.73	106.88
28	9.69	19.67	29.95	40.56	51.48	62.73	74.31	86.23	98.50	111.11
29	10.08	20.47	31.17	42.20	53.56	65.25	77.29	89.68	102.42	115.51
30	10.49	21.31	32.45	43.92	55.73	67.90	80.41	93.28	106.50	120.10
31	10.93	22.19	33.78	45.72	58.01	70.76	83.67	97.03	110.76	124.87
32	11.39	23.11	35.17	47.60	60.39	73.54	87.05	194.00	115.19	129.83
33	11.85	24.06	36.63	49.56	62.87	76.53	90.58	105.00	119.81	135.01
34	12.35	25.08	38.16	51.62	65.46	79.67	94.27	109.25	124.63	140.40
35	12.88	26.13	39.76	53.77	68.16	82.94	98.11	113.68	129.65	146.01
36	13.42	27.23	41.42	56.00	70.97	86.34	102.12	118.29	134.86	151.83
37	14.00	28.38	43.16	58.33	73.91	89.90	106.30	123.09	140.29	157.86
38	14.58	29.57	44.96	60.77	76.98	93.61	110.65	128.09	145.91	164.11
39	15.21	30.83	46.87	63.32	80.20	97.48	115.18	133.27	151.74	170.57
40	15.86	32.14	48.85	65.99	83.54	101.52	119.88	138.64	157.76	177.20
41	16.55	33.53	50.94	68.78	87.04	105.70	124.76	144.19	163.95	184.01
42	17.26	34.97	53.11	71.68	90.65	110.03	129.79	149.88	170.28	190.96
43	18.02	36.47	55.77	74.68	94.40	114.50	134.94	155.70	176.75	198.06
44	18.79	38.03	57.70	77.78	98.25	119.07	140.21	161.64	183.34	205.28
45	19.61	39.65	60.12	80.98	102.20	123.74	145.59	167.70	190.06	212.62
46	20.44	41.32	62.60	84.24	106.21	128.50	151.05	173.86	196.87	220.06
47	21.31	43.03	65.13	87.56	110.31	133.34	156.62	180.11	203.78	227.59
48	22.20	44.77	67.70	90.94	114.47	138.25	162.26	186.44	210.77	235.21
49	23.09	46.53	70.30	94.36	118.69	143.24	167.98	192.86	217.85	242.91
50	24.00	48.33	72.96	97.86	122.99	148.31	173.17	199.36	225.01	250.69
51	24.93	50.17	75.68	101.42	127.37	153.47	179.67	205.96	232.27	258.55
52	25.88	52.05	78.45	105.06	131.82	158.70	185.66	212.64	239.59	266.47
53	26.86	53.97	81.28	108.75	136.35	164.02	191.72	219.39	246.98	274.44
54	27.85	55.92	84.15	112.51	140.95	169.41	197.84	226.19	254.42	282.46
55	28.87	57.91	87.08	116.33	145.61	174.86	204.02	233.05	261.90	290.50
56	29.90	59.94	90.06	120.21	150.33	180.36	210.25	239.95	269.41	298.53
57	30.96	62.01	93.09	124.13	155.09	185.91	216.52	246.89	276.91	306.54
58	32.04	64.11	96.15	128.10	159.90	191.49	222.82	253.81	284.39	314.50
59	33.13	66.23	99.24	132.09	164.73	197.10	229.11	260.70	291.81	322.36
60	34.23	68.37	102.35	136.11	169.58	202.69	235.37	267.54	299.13	330.10
61	35.35	70.53	105.48	140.15	174.43	208.26	241.58	274.29	306.35	337.69
62	36.47	72.71	108.64	144.18	179.25	213.79	247.70	280.94	313.42	345.13
63	37.61	74.90	111.79	148.19	184.03	219.23	253.72	287.43	320.35	352.49
64	38.75	77.07	114.90	152.14	188.71	224.55	259.59	293.78	327.18	359.87
65	39.87	79.22	117.96	156.01	193.29	229.74	265.31	300.06	334.07	367.43
66	40.98	81.34	120.96	159.80	197.75	234.81	271.00	306.41	341.17	375.35
67	42.08	83.40	123.89	163.47	202.11	239.84	276.78	313.01	348.66	383.79
68	43.13	85.41	126.72	167.06	206.45	245.01	282.83	320.05	356.73	392.89
69	44.18	87.36	129.51	170.78	210.97	250.51	289.39	327.73	365.53	402.76
70	45.18	89.28	132.35	174.50	215.86	256.55	296.66	336.20	375.16	413.52

Age.	11th Year.	12th Year.	13th Year.	14th Year.	15th Year.	16th Year.	17th Year.	18th Year.	19th Year.	20th Year.
20	$91.40	$101.33	$111.56	$122.09	$132.94	$144.11	$155.60	$167.42	$179.56	$192.04
21	94.91	105.22	115.83	126.75	138.00	149.57	161.47	173.70	186.27	199.17
22	98.58	109.27	120.27	131.61	143.26	155.25	167.57	180.23	193.23	206.59
23	102.40	113.49	124.91	136.66	148.74	161.16	173.92	187.02	200.47	214.27
24	106.39	117.90	129.74	141.92	154.44	167.30	180.50	194.06	207.98	222.25
25	110.55	122.49	134.77	147.39	160.36	173.67	187.34	201.37	215.77	230.50
26	114.87	127.26	139.99	153.07	166.50	180.29	194.44	208.96	223.83	239.05
27	119.38	132.23	145.43	158.98	172.90	187.18	201.82	216.82	232.18	247.88
28	124.08	137.40	151.08	165.13	179.54	194.32	209.47	224.97	240.81	256.99
29	128.96	142.78	156.96	171.52	186.44	201.73	217.39	233.38	249.72	266.38
30	134.05	148.38	163.08	178.16	193.61	209.42	225.58	242.08	258.90	276.02
31	139.35	154.21	169.45	185.05	201.04	217.37	234.05	251.95	268.34	285.90
32	144.86	160.27	176.05	192.20	208.72	225.58	242.77	260.25	278.00	296.00
33	150.60	166.56	182.90	199.60	216.66	234.05	251.73	269.69	287.90	306.33
34	156.56	173.10	190.00	207.26	224.86	242.72	260.93	279.35	298.00	316.86
35	162.76	179.87	197.35	215.16	233.28	251.68	270.34	289.22	308.32	327.58
36	169.17	186.87	204.92	223.28	241.92	260.82	279.95	299.29	318.81	338.48
37	175.81	194.10	212.71	231.60	250.76	270.15	289.76	309.54	329.48	349.53
38	182.67	201.54	220.70	240.12	259.79	279.68	299.74	319.96	340.29	360.72
39	189.72	209.16	228.88	248.84	269.02	289.38	309.89	330.53	351.26	372.04
40	196.95	216.97	237.23	257.17	278.40	299.23	320.19	341.24	362.34	383.47
41	204.35	224.94	245.76	266.77	287.94	309.24	330.62	352.07	373.54	394.98
42	211.90	233.07	254.44	275.96	297.61	319.36	341.17	362.99	384.80	406.55
43	219.60	241.34	263.24	285.27	307.40	329.59	351.80	374.00	396.12	418.14
44	227.42	249.72	272.16	294.69	317.29	339.91	362.51	385.04	407.47	429.75
45	235.35	258.22	281.18	304.22	327.27	350.30	373.26	396.12	418.83	441.35
46	343.38	266.80	290.30	313.81	337.30	360.73	384.04	407.21	430.18	452.90
47	251.50	275.49	299.49	323.47	347.39	371.19	394.84	418.29	441.48	464.37
48	259.71	284.24	308.74	333.18	357.49	381.66	405.62	429.32	452.70	475.73
49	267.99	293.05	318.04	342.91	367.62	392.13	416.36	440.28	463.83	486.96
50	276.34	301.92	327.38	352.68	377.76	402.57	427.05	451.16	474.84	498.04
51	284.76	310.84	336.76	362.46	387.88	412.97	437.67	461.92	485.69	508.93
52	293.22	319.80	346.16	373.23	397.96	423.29	448.17	472.55	496.37	519.63
53	301.73	328.79	355.55	381.96	407.97	433.50	458.53	482.99	506.87	530.19
54	310.26	337.76	364.90	391.62	417.87	443.58	468.72	493.26	517.22	540.68
55	318.79	346.70	374.19	401.19	427.64	453.50	478.74	503.39	527.52	551.19
56	327.28	355.59	383.38	410.62	437.25	463.24	488.63	513.47	537.85	561.83
57	335.72	364.38	392.46	419.90	446.70	472.86	498.48	523.60	548.32	572.69
58	344.07	373.05	401.37	429.02	456.02	482.45	508.38	533.89	559.04	583.83
59	352.29	381.55	410.12	438.02	465.32	492.11	518.46	544.44	570.05	595.28
60	360.36	389.90	418.76	447.00	474.71	501.96	528.83	555.32	581.42	607.12
61	368.28	398.16	427.39	456.09	484.30	512.13	539.56	566.58	593.19	619.17
62	376.10	406.41	436.16	465.41	494.25	522.68	550.70	578.28	605.22	631.56
63	383.95	414.81	445.18	475.11	504.62	533.69	562.32	590.28	617.61	644.45
64	391.95	423.49	454.59	485.26	515.47	545.23	574.27	602.67	630.55	658.19
65	400.25	432.61	464.51	495.93	526.88	557.10	586.65	615.66	644.41	673.03
66	409.05	442.27	475.00	507.24	538.71	569.49	599.70	629.64	659.45	688.84
67	418.44	452.57	486.18	519.00	551.09	582.59	613.82	644.90	675.54	705.21
68	428.52	463.61	497.87	531.37	564.26	596.85	629.30	661.29	692.26	721.54
69	439.43	475.24	510.25	544.62	578.68	612.59	646.02	678.39	708.99	737.78
70	450.98	487.61	523.57	559.21	594.68	629.66	663.52	695.54	725.66	754.69

Age.	21st Year.	22d Year.	23d Year.	24th Year.	25th Year.	26th Year.	27th Year.	28th Year.	29th Year.	30th Year.
20	$204.85	$218.01	$231.51	$245.36	$259.54	$274.06	$288.90	$304.05	$319.50	$335.21
21	212.43	226.02	239.97	254.25	268.87	283.82	299.08	314.64	330.47	346.53
22	220.28	234.33	248.72	263.45	278.51	293.89	309.56	325.50	341.69	358.10
23	228.43	242.93	257.78	272.95	288.44	304.24	320.30	336.61	353.15	369.89
24	236.86	251.83	267.12	282.74	298.66	314.85	331.30	347.97	364.84	381.90
25	245.59	261.01	272.76	292.81	309.14	325.72	342.53	359.55	376.75	394.11
26	254.60	270.49	286.68	303.15	319.87	336.83	353.99	371.34	388.86	406.50
27	263.90	280.24	296.86	313.73	330.84	348.16	365.67	383.34	401.14	419.05
28	273.48	290.26	307.29	324.56	342.04	359.71	377.55	395.52	413.60	431.75
29	283.31	300.51	217.95	335.60	353.45	371.46	389.61	407.86	426.19	444.58
30	293.39	311.01	328.84	346.87	365.06	383.39	401.83	420.35	438.22	457.51
31	303.70	321.72	339.94	358.33	376.85	395.49	414.20	432.97	451.76	470.53
32	314.22	332.65	351.23	369.97	388.81	407.73	426.71	445.70	464.68	483.60
33	324.96	343.76	362.71	381.77	400.01	420.10	439.32	458.51	477.65	496.70
34	335.89	355.06	374.35	393.72	413.15	432.59	452.01	471.38	490.66	509.82
35	347.00	366.52	386.14	405.81	425.49	445.19	464.77	484.29	503.69	522.92
36	358.25	378.13	398.05	418.00	437.92	457.79	477.56	497.21	516.69	535.96
37	369.67	389.86	410.08	430.27	450.41	470.45	490.37	510.12	529.65	548.93
38	381.20	401.70	422.19	442.61	462.94	483.14	503.17	522.97	542.52	561.77
39	392.35	413.63	434.36	454.99	475.49	495.81	515.91	535.75	555.29	574.47
40	404.58	425.62	446.57	467.38	488.02	508.44	528.58	548.42	567.90	586.99
41	416.37	437.65	458.80	479.78	500.52	520.98	541.14	560.03	580.33	599.29
42	428.19	449.70	471.02	492.11	512.92	533.42	553.55	573.27	592.55	611.37
43	440.03	451.73	483.19	504.37	525.22	545.70	565.77	585.39	604.54	623.24
44	451.85	473.70	495.27	516.51	537.37	557.80	577.78	597.28	616.33	634.97
45	463.62	485.61	507.25	528.51	549.34	569.69	589.57	608.98	627.98	646.62
46	475.32	497.39	519.08	540.32	561.09	581.36	601.16	620.54	639.55	658.25
47	486.91	509.04	530.73	551.93	572.62	592.84	612.62	632.03	651.12	669.94
48	498.35	520.51	542.17	563.32	583.97	604.18	624.01	643.52	662.75	681.71
49	509.63	531.78	553.40	574.53	595.20	615.48	635.43	655.10	674.49	693.59
50	520.71	542.85	564.47	585.63	606.39	626.81	646.95	666.80	686.35	705.61
51	531.61	553.76	575.44	596.71	617.64	638.27	658.60	678.64	698.37	717.64
52	542.35	564.59	586.40	607.86	629.02	649.88	670.42	690.66	710.42	729.74
53	553.02	575.41	597.44	619.16	640.57	661.67	682.44	702.72	722.56	742.03
54	563.69	586.33	608.65	630.65	652.33	673.67	694.52	714.90	734.91	754.74
55	574.48	597.43	620.07	642.37	664.32	685.76	706.73	727.31	747.71	768.01
56	585.47	608.77	631.73	654.34	676.42	698.01	719.20	740.21	761.11	781.73
57	596.71	620.38	643.69	666.45	688.70	710.55	732.20	753.75	775.00	795.58
58	608.25	632.31	655.79	678.76	701.30	723.64	745.89	767.81	789.04	809.11
59	620.13	644.40	668.12	691.41	714.49	737.47	760.13	782.06	802.80	822.31
60	632.21	656.75	680.84	704.71	728.48	751.91	774.59	796.04	816.22	835.67
61	644.58	669.52	694.24	718.85	743.11	766.60	788.81	809.71	829.84	849.56
62	657.42	683.04	708.55	733.70	758.05	781.07	802.73	823.61	844.05	863.10
63	671.04	697.42	723.62	748.89	772.79	795.27	816.93	838.15	857.91	874.03
64	685.70	712.82	739.08	763.90	787.27	809.78	831.82	852.36	869.11	884.81
65	701.24	728.56	754.39	778.69	802.11	825.04	846.41	863.83	880.17	894.76
66	717.29	744.19	769.50	793.89	817.78	840.03	858.18	875.19	890.39	.....
67	733.26	759.65	785.08	809.99	833.20	852.12	869.86	885.75	....	....
68	749.09	775.64	801.65	825.87	845.62	864.14	880.69	....	....	....
69	765.53	792.70	818.02	838.66	858.02	875.31	....	....	....	....
70	783.12	809.61	831.21	851.45	869.54	....	....	....	....	....

Age.	31st Year.	32d Year.	33d Year.	34th Year.	35th Year.	36th Year.	37th Year.	38th Year.	39th Year.	40th Year.
	$	$	$	$	$	$	$	$	$	$
20	351.17	367.34	383.71	400.27	416.98	433.81	450.74	467.74	484.80	501.87
21	362.82	379.31	395.99	412.81	429.77	446.82	463.94	481.12	498.31	515.49
22	374.71	391.51	408.46	425.54	442.71	459.97	477.27	494.59	511.89	529.15
23	386.82	403.90	421.10	438.42	455.81	473.24	490.70	508.13	525.52	542.82
24	399.12	416.17	433.92	451.45	469.02	486.61	504.19	521.71	539.16	556.49
25	411.61	429.20	446.87	464.60	482.33	500.06	517.73	535.32	552.79	570.12
26	424.25	442.07	459.95	477.84	495.72	513.54	531.28	548.91	566.39	583.68
27	437.04	455.08	473.13	491.17	509.15	527.05	544.84	562.48	579.92	597.14
28	449.96	468.18	486.39	504.54	522.61	540.57	558.37	575.98	593.35	610.47
29	462.98	481.36	499.70	517.94	536.07	554.05	571.83	589.38	606.65	623.62
30	476.08	494.60	513.03	531.35	549.51	567.47	585.20	602.65	619.74	636.59
31	489.24	507.87	526.38	544.73	562.88	580.80	598.44	615.76	632.73	649.32
32	502.43	521.14	539.70	558.05	576.16	594.00	611.51	628.67	645.45	661.82
33	515.63	534.40	552.69	571.28	589.32	607.04	624.40	641.37	657.93	674.11
34	528.81	547.60	566.14	584.40	602.33	619.89	637.06	653.83	670.20	686.22
35	541.94	560.71	579.20	597.35	615.14	632.52	649.50	666.07	682.30	698.21
36	554.98	573.71	592.09	610.11	627.73	644.92	661.71	678.15	694.28	710.14
37	567.91	586.54	604.81	622.66	640.09	657.11	673.77	690.12	706.20	722.05
38	580.68	599.20	617.31	634.98	652.25	659.14	685.72	702.03	718.10	733.95
39	593.27	611.64	629.58	647.10	664.24	681.07	697.62	713.93	730.01	745.86
40	605.64	623.86	641.65	659.06	676.14	692.94	709.51	725.84	741.93	757.78
41	617.80	635.87	653.56	670.92	688.00	704.83	721.42	737.77	753.87	769.59
42	629.75	647.73	665.38	682.75	699.86	716.74	733.36	749.73	765.72	781.35
43	641.55	659.51	677.17	694.59	711.76	728.68	745.34	761.60	777.51	793.12
44	653.26	671.25	688.98	706.47	723.70	740.66	757.23	773.42	789.32	805.08
45	664.95	683.03	700.85	718.41	735.70	752.58	769.08	785.29	801.35	817.34
46	676.96	694.86	712.77	730.41	747.63	764.47	780.99	797.38	813.68	829.76
47	688.50	706.78	724.78	742.36	759.55	776.42	793.15	809.80	826.21	842.10
48	700.39	718.79	736.75	754.31	771.56	788.64	805.66	822.42	838.66	854.01
49	712.41	730.78	748.74	766.37	783.85	801.24	818.39	835.00	850.70	865.47
50	724.41	742.80	760.85	778.74	796.55	814.10	831.10	847.17	862.29	876.86
51	736.48	754.97	773.30	791.54	809.53	826.95	843.41	858.91	873.84	888.46
52	748.70	767.50	786.21	804.66	822.52	839.41	855.30	870.61	885.61	899.58
53	761.32	780.53	799.47	817.81	835.14	851.45	867.17	882.57	896.91	908.60
54	774.47	793.94	812.78	830.59	847.35	863.51	879.33	894.06	906.08	917.35
55	788.03	807.41	825.73	842.98	859.60	875.87	891.03	903.39	914.98	925.33
56	801.69	820.55	830.31	855.42	872.18	887.79	900.52	912.45	923.11	....
57	815.02	833.33	850.97	868.24	884.33	897.45	909.75	920.74	....	....
58	828.00	846.20	864.03	880.63	894.17	906.87	918.21	....	....	....
59	841.11	859.53	876.68	890.67	903.79	915.50	....	....	....	....
60	854.71	872.46	886.93	900.49	912.61	....	....	....	....	....
61	867.94	882.92	869.96	909.51	....	....	....	....	....	....
62	878.63	893.19	906.19	....	....	....	....	....	....	....
63	889.14	902.64	....	....	....	....	....	....	....	....
64	898.84	....	....	....	....	....	....	....	....	....

333. Reserve Values per $1000, Twenty-Payment Life Policies, American Experience, 3 Per Cent.

Age.	1st Year.	2d Year.	3d Year.	4th Year.	5th Year.	6th Year.	7th Year.	8th Year.	9th Year.	10th Year.
	$	$	$	$	$	$	$	$	$	$
20	16.15	32.86	50.16	68.07	86.62	105.84	125.73	146.33	167.67	189.76
21	16.46	33.49	51.12	69.38	88.29	107.87	128.14	149.13	170.87	193.38
22	16.78	34.14	52.12	70.74	90.01	109.96	130.63	152.02	174.17	197.11
23	17.11	34.82	53.15	72.13	91.78	112.13	133.19	154.99	177.57	200.95
24	17.45	35.52	54.22	73.57	93.61	114.35	135.82	158.05	181.07	204.89
25	17.81	36.24	55.31	75.06	95.49	116.64	138.54	161.21	184.66	208.95
26	18.17	36.97	56.44	76.58	97.42	119.00	141.33	164.44	188.36	213.12
27	18.55	37.74	57.60	78.15	99.42	121.43	144.20	167.77	192.16	217.40
28	18.94	38.52	58.79	79.77	101.47	123.92	147.15	171.19	196.06	221.80
29	19.33	39.33	60.02	81.43	103.57	126.48	150.19	174.40	200.07	226.31
30	19.74	40.17	61.30	83.14	105.74	129.13	153.31	178.32	204.18	230.94
31	20.17	41.03	62.60	84.90	107.98	131.83	156.51	182.02	208.40	235.67
32	20.61	41.91	63.93	86.71	110.26	134.62	159.79	185.81	212.71	240.52
33	21.05	42.81	65.32	88.57	112.62	137.47	163.15	189.69	217.13	245.49
34	21.51	43.75	66.74	90.49	115.03	140.40	166.60	193.68	221.66	250.58
35	22.00	44.72	68.20	92.46	117.52	143.40	170.14	197.77	226.31	255.78
36	22.48	45.71	69.69	94.47	120.05	146.48	173.76	201.95	231.05	261.10
37	22.99	46.72	71.23	96.53	122.66	149.64	177.49	206.23	235.90	266.51
38	23.50	47.77	72.81	98.66	125.34	152.88	181.29	210.60	240.83	272.01
39	24.04	48.84	74.44	100.85	128.10	156.20	185.19	215.06	245.86	277.60
40	24.58	49.95	76.11	103.10	130.92	159.60	189.16	219.60	250.96	283.23
41	25.16	51.10	77.85	105.42	133.82	163.08	193.20	224.21	256.10	288.90
42	25.75	52.29	79.62	107.78	136.77	166.61	197.30	228.85	261.27	294.58
43	26.36	53.50	81.44	110.20	139.78	170.19	201.42	233.50	266.43	300.26
44	26.97	54.74	83.29	112.65	142.81	173.77	205.55	238.15	271.59	305.91
45	27.62	56.00	85.17	115.13	145.86	177.37	209.67	242.78	276.72	311.52
46	28.26	57.28	87.07	117.61	148.90	180.95	213.77	247.38	281.80	317.06
47	28.92	58.58	88.97	120.09	151.93	184.51	217.85	251.94	286.83	322.53
48	29.58	59.87	90.86	122.55	154.94	188.05	221.87	256.44	291.78	327.91
49	30.23	61.15	92.73	124.99	157.93	191.55	225.86	260.88	296.64	333.19
50	30.89	62.42	94.61	127.43	160.90	195.02	229.80	265.26	301.44	338.37
51	31.54	63.71	96.49	129.87	163.87	198.47	233.70	269.59	306.15	343.43
52	32.21	65.01	98.37	132.31	166.82	201.90	237.57	273.85	310.77	348.37
53	32.88	66.31	100.27	134.75	169.76	205.30	241.39	278.04	315.28	353.18
54	33.56	67.61	102.16	137.18	172.69	208.67	245.15	282.14	319.69	357.85
55	34.24	68.93	104.06	139.62	175.61	212.02	248.86	286.17	323.99	362.37

Age.	11th Year.	12th Year.	13th Year.	14th Year.	15th Year.	16th Year.	17th Year.	18th Year.	19th Year.	20th Year.
	$	$	$	$	$	$	$	$	$	$
20	212.64	236.35	260.90	286.33	312.68	339.98	368.26	397.57	427.94	459.42
21	216.69	240.84	265.85	291.75	318.58	346.38	375.18	405.02	435.95	468.00
22	220.86	245.46	270.93	297.32	324.65	352.97	382.29	412.68	444.16	476.80
23	225.15	250.21	276.17	303.05	330.89	359.72	389.59	420.53	452.60	485.83
24	229.56	255.10	281.55	308.93	337.29	366.66	397.08	428.59	461.25	495.10
25	234.09	260.12	287.07	314.97	343.86	373.77	404.76	436.85	470.12	504.59
26	238.75	265.28	292.73	321.16	350.59	381.06	412.62	445.32	479.19	514.30
27	243.53	270.56	298.55	327.51	357.49	388.54	420.69	453.99	488.49	524.23
28	248.43	275.99	304.50	334.01	354.56	396.19	428.93	462.85	497.97	534.37
29	253.46	281.54	310.60	340.67	371.80	404.01	437.36	471.89	507.65	544.70
30	258.61	287.23	316.85	347.49	379.19	412.01	445.97	481.12	517.52	555.22
31	263.88	293.06	323.24	354.46	386.75	420.16	454.73	490.51	527.54	565.89
32	269.28	299.02	329.77	361.57	394.45	428.46	463.64	500.03	537.70	576.71
33	274.81	305.11	336.44	368.82	402.30	436.90	472.68	509.69	547.99	587.67
34	280.46	311.34	343.24	376.20	410.27	445.46	481.83	519.45	558.39	598.74
35	286.24	317.68	350.16	383.70	418.33	454.11	491.07	529.31	568.89	609.92
36	292.11	324.13	357.18	391.28	426.48	462.83	500.39	539.24	579.47	621.18
37	298.09	330.67	364.27	398.93	434.69	471.61	509.76	549.23	590.10	632.51
38	304.15	337.28	371.42	406.63	442.94	480.43	519.17	559.25	600.77	643.89
39	310.28	343.94	378.62	414.36	451.23	489.27	528.59	569.28	611.47	655.30
40	316.44	350.63	385.84	422.11	459.51	498.11	538.00	579.31	622.16	666.72
41	322.63	357.34	393.06	429.85	467.78	506.92	547.39	589.30	632.82	678.13
42	328.82	364.03	400.26	437.55	475.99	515.68	556.71	599.24	643.44	689.50
43	335.00	370.70	407.41	445.20	484.15	524.36	555.96	609.10	653.97	700.83
44	341.13	377.31	414.49	452.76	492.20	532.93	575.09	618.84	664.41	712.08
45	347.21	383.84	421.49	460.22	500.15	541.38	584.08	628.45	674.73	723.24
46	353.20	390.28	428.37	467.55	507.94	549.66	592.90	637.89	684.90	734.27
47	359.11	396.62	435.12	474.73	515.55	557.75	601.53	647.14	694.88	745.16
48	364.90	402.81	441.71	481.72	522.96	565.63	609.94	656.16	704.66	755.88
49	370.57	408.85	448.12	488.50	530.15	573.27	618.08	664.92	714.19	766.41
50	376.11	414.73	454.34	495.08	537.10	580.63	625.94	673.40	723.46	776.73
51	381.50	420.43	460.36	501.41	543.77	587.69	633.48	681.55	732.44	786.82
52	386.74	425.96	466.15	507.47	550.14	594.42	640.67	689.36	741.09	796.67
53	391.81	431.27	471.69	513.25	556.18	600.78	647.47	696.78	749.41	806.28
54	396.71	436.36	476.95	518.70	561.84	606.74	653.85	703.79	757.38	815.69
55	401.39	441.19	481.92	523.79	567.10	612.25	659.78	710.39	765.04	824.93

334. Reserve Values per $1000, Ordinary Life Policies, American Experience, 3½ Per Cent.

Age.	1st Year.	2nd Year.	3rd Year.	4th Year.	5th Year.	6th Year.	7th Year.	8th Year.	9th Year.	10th Year.
20	$6.19	$12.60	$19.24	$26.11	$33.23	$40.61	$48.24	$56.14	$64.32	$72.78
21	6.45	13.13	20.04	27.21	34.63	42.31	50.26	58.49	67.00	75.82
22	6.72	13.68	20.89	28.36	36.09	44.09	52.38	60.95	69.82	79.00
23	7.01	14.27	21.79	29.57	37.62	45.97	54.59	63.52	72.76	82.32
24	7.31	14.88	22.72	30.83	39.23	47.92	56.91	66.22	75.85	85.79
25	7.63	15.52	23.70	32.16	40.91	49.97	59.35	69.04	79.06	89.42
26	7.96	16.19	24.72	33.54	42.67	52.12	61.89	71.98	82.42	93.21
27	8.30	16.90	25.79	34.99	44.51	54.36	64.54	75.06	85.94	97.17
28	8.67	17.03	26.91	36.52	46.45	56.71	67.32	78.29	89.62	101.31
29	9.04	18.40	28.09	38.11	48.46	59.16	70.23	81.66	93.46	105.63
30	9.45	19.22	29.33	39.78	50.58	61.74	73.27	85.18	97.46	110.14
31	9.87	20.08	30.62	41.52	52.80	64.44	76.46	88.86	101.65	114.84
32	10.31	20.96	31.97	43.36	55.11	67.26	79.78	92.70	106.01	119.74
33	10.76	21.89	33.39	45.27	57.54	70.19	83.25	96.70	110.57	124.86
34	11.25	22.88	34.89	47.29	60.08	73.27	86.87	100.90	115.34	130.20
35	11.76	23.91	36.45	49.39	62.73	76.49	90.67	105.27	120.31	135.76
36	12.29	24.98	38.07	51.58	65.50	79.84	94.62	109.84	125.48	141.55
37	12.85	26.10	39.78	53.87	68.40	83.36	98.76	114.60	130.87	147.56
38	13.43	27.28	41.55	56.27	71.43	87.03	103.07	119.56	136.47	153.79
39	14.04	28.51	43.43	58.79	74.61	90.87	107.58	124.71	142.28	160.25
40	14.68	29.80	45.39	61.43	77.92	94.87	112.25	130.06	148.29	166.89
41	15.36	31.17	47.45	64.19	81.39	99.03	117.11	135.60	154.48	173.71
42	16.06	32.60	49.59	67.06	84.98	103.34	122.12	141.29	160.82	180.68
43	16.81	34.08	51.84	70.04	88.70	107.79	127.28	147.12	167.31	187.81
44	17.57	35.63	54.15	73.13	92.54	112.36	132.54	153.08	173.93	195.08
45	18.38	37.23	56.55	76.32	96.48	117.03	137.93	159.16	180.68	202.47
46	19.20	38.89	59.02	79.57	100.50	121.79	143.41	165.34	187.54	209.98
47	20.07	40.60	61.54	82.89	104.59	126.64	149.00	171.63	194.51	217.58
48	20.95	42.33	64.10	86.26	108.76	131.57	154.67	178.01	201.56	225.28
49	21.84	44.08	66.71	89.69	112.99	136.58	160.42	184.48	208.71	233.07
50	22.74	45.87	69.37	93.19	117.31	141.68	166.27	191.04	215.96	240.96
51	23.67	47.71	72.09	96.77	121.71	146.87	172.22	197.71	223.30	248.93
52	24.62	49.59	74.87	100.42	126.19	152.15	178.26	204.47	230.72	256.97
53	25.60	51.52	77.71	104.13	130.74	157.52	184.38	211.30	238.21	265.07
54	26.59	53.48	80.59	107.91	135.38	162.95	190.58	218.20	245.76	273.22
55	27.62	55.47	83.53	111.76	140.08	168.46	196.84	225.15	253.36	281.41
56	28.65	57.51	86.53	115.66	144.85	174.03	203.15	232.16	261.00	289.59
57	29.71	59.59	89.58	119.63	149.67	179.65	209.51	239.20	268.64	297.76
58	30.80	61.71	92.67	123.63	154.53	185.31	215.91	246.24	276.26	305.88
59	31.89	63.84	95.78	127.66	159.42	190.99	222.29	253.26	283.82	313.90
60	33.00	66.00	98.93	131.73	164.34	196.67	228.66	260.23	291.30	321.81
61	34.12	68.17	102.10	135.82	169.26	202.33	234.98	267.11	298.67	329.57
62	35.36	70.38	105.30	139.91	174.16	207.96	241.22	273.89	305.89	337.19
63	36.41	72.60	108.48	143.98	179.01	213.49	247.36	280.53	312.97	344.72
64	37.56	74.80	111.63	147.99	183.77	218.92	253.34	287.01	319.96	352.28
65	38.69	76.96	114.74	151.92	188.44	224.20	259.19	293.43	327.00	360.01
66	39.82	79.11	117.79	155.78	192.98	229.37	264.99	299.91	334.26	368.11
67	40.93	81.21	120.77	159.52	197.42	234.51	270.88	306.65	341.90	376.73
68	42.00	83.25	123.65	163.17	201.84	239.77	277.06	313.82	350.13	386.01
69	43.06	85.23	126.48	166.85	206.44	245.37	283.74	321.64	359.09	396.01
70	44.07	87.18	129.37	170.74	211.41	251.51	291.12	330.25	368.89	407.01

Age.	11th Year.	12th Year.	13th Year.	14th Year.	15th Year.	16th Year.	17th Year.	18th Year.	19th Year.	20th Year.
20	$81.54	$90.60	$99.98	$109.66	$119.68	$130.03	$140.72	$151.77	$163.15	$174.90
21	84.94	94.37	104.12	114.19	124.61	135.37	146.18	157.94	169.76	196.90
22	88.49	98.30	108.44	118.93	129.76	140.94	152.47	164.37	176.63	189.28
23	92.20	102.41	112.97	123.87	135.13	146.74	158.72	171.06	183.79	181.94
24	96.08	106.71	117.69	129.02	140.72	152.78	165.22	178.03	191.23	204.82
25	100.13	111.19	122.61	134.39	146.54	159.07	171.98	185.28	198.97	213.04
26	104.36	115.87	127.74	138.98	152.60	165.61	179.02	192.81	206.99	221.57
27	108.77	120.74	133.09	145.81	158.92	172.43	186.34	200.63	215.33	230.40
28	113.38	125.83	138.66	151.88	165.50	179.53	193.94	208.76	223.95	239.53
29	118.18	131.13	144.47	158.21	172.35	186.90	201.84	217.17	232.88	248.95
30	123.20	136.66	150.52	164.80	179.47	194.56	210.02	225.88	242.09	258.64
31	128.43	142.42	156.84	171.65	186.88	202.49	218.50	234.87	251.57	268.59
32	133.88	148.43	166.39	178.77	194.54	210.71	227.24	244.11	261.30	278.79
33	139.56	154.68	170.22	186.15	202.49	219.19	236.24	253.61	271.28	289.22
34	145.48	161.19	177.30	193.81	210.70	227.93	245.49	263.35	281.49	299.88
35	151.65	167.94	184.64	201.72	219.15	236.91	254.97	273.31	291.92	310.75
36	158.04	174.93	192.22	209.85	227.82	246.10	264.66	283.49	302.54	321.80
37	164.67	182.17	200.02	218.22	236.72	255.52	274.57	293.87	313.37	333.04
38	171.52	189.61	208.04	226.78	245.82	265.13	284.68	304.43	324.36	344.43
39	178.58	197.26	216.26	235.56	255.13	274.94	294.96	315.16	335.51	355.97
40	185.83	205.10	224.68	244.52	264.62	284.92	305.41	326.04	346.80	367.63
41	193.26	213.13	233.27	253.66	274.27	295.06	316.01	337.07	358.21	379.39
42	200.86	221.32	242.02	262.96	284.07	305.34	326.73	348.20	369.72	391.22
43	208.61	229.65	250.93	272.39	294.00	315.74	337.57	359.43	381.29	403.10
44	216.49	238.12	259.95	281.93	304.05	326.24	348.48	370.71	392.90	415.00
45	224.50	246.71	269.09	291.60	314.19	336.83	359.46	382.04	404.54	426.90
46	232.61	255.41	278.34	301.35	324.41	347.46	370.47	393.39	416.17	438.76
47	240.83	264.21	287.67	311.18	334.68	358.14	381.51	404.74	427.77	450.55
48	249.14	273.09	297.08	321.06	345.00	368.84	392.55	416.17	439.30	462.25
49	257.53	282.04	306.53	330.96	355.34	379.55	403.56	427.77	450.74	473.81
50	266.01	291.05	316.05	340.95	365.70	390.21	414.52	438.48	462.07	485.23
51	274.56	300.13	325.61	350.94	376.05	400.90	425.42	449.55	473.25	496.46
52	283.16	309.26	335.21	360.93	386.37	411.49	436.20	460.48	484.26	507.51
53	291.83	318.42	344.79	370.88	396.63	421.97	446.86	471.24	495.08	518.42
54	300.52	327.58	354.35	380.78	406.78	432.32	457.34	481.81	505.76	529.25
55	309.21	336.71	363.86	390.58	416.82	442.52	467.66	492.26	516.39	540.11
56	317.88	345.79	373.27	400.25	426.68	452.54	477.84	502.65	527.05	551.10
57	326.50	354.78	382.57	409.78	436.39	462.44	487.98	513.10	537.86	562.31
58	335.03	363.66	391.70	419.13	445.98	472.31	498.19	523.71	548.91	573.81
59	343.44	372.37	400.68	428.38	455.54	482.25	508.57	534.58	560.27	585.64
60	351.70	380.93	409.55	437.60	465.19	492.38	519.24	545.78	571.99	597.84
61	359.81	389.40	418.41	446.94	475.06	502.84	530.28	557.38	584.12	610.28
62	367.82	397.86	427.40	456.51	485.27	513.69	541.74	569.43	596.51	623 04
63	375.86	406.48	436.65	466.46	495.92	525.00	553.69	581.76	609.27	636.32
64	384.05	415.37	446.30	476.87	507.05	536.83	565.96	594.51	622.58	650.46
65	392.55	424.70	456.46	487.81	518.75	542.02	578.68	607.85	636.82	665.71
66	401.54	434.58	467.20	499.39	530.87	561.72	592.07	622.20	652.26	681.96
67	411.14	445.10	478.63	511.42	543.55	575.15	606.53	637.84	668.77	698.77
68	421.43	456.38	490.57	524.07	557.02	589.74	622.39	654.63	685.92	715.54
69	432.55	468.24	503.21	537.60	571.76	605.83	639.49	672.15	703.07	732.21
70	444.31	480.86	516.79	552.49	588.10	623.27	657.39	689.71	720.17	749.56

Age.	21st Year.	22nd Year.	23rd Year.	24th Year.	25th Year.	26th Year.	27th Year.	28th Year.	29th Year.	30th Year.
20	$187.01	$199.49	$212.35	$225.59	$239.19	$253.18	$267.52	$282.22	$297.25	$312.60
21	194.51	207.44	220.76	234.45	248.52	262.96	277.75	292.88	308.32	324.05
22	202.30	215.70	229.48	243.65	258.17	273.06	288.29	303.83	319.66	335.76
23	210.40	224.27	238.53	253.15	268.14	283.47	299.11	315.05	331.27	347.73
24	218.80	233.16	247.88	262.97	278.41	294.17	310.22	326.55	343.13	359.95
25	227.51	242.34	257.55	273.10	288.97	305.14	321.59	338.29	355.23	372.38
26	236.52	251.84	267.51	283.51	299.80	316.37	333.21	350.28	367.56	385.02
27	245.84	261.64	277.76	294.18	310.89	327.86	345.07	362.48	380.09	397.85
28	255.46	271.71	288.28	305.12	322.23	339.58	357.15	374.90	392.81	410.85
29	265.35	282.05	299.05	316.31	333.81	351.53	369.43	387.50	405.70	424.00
30	275.50	292.65	310.07	327.73	345.61	363.68	381.91	400.27	418.74	437.28
31	285.90	303.49	321.32	339.37	357.61	376.02	394.55	413.20	431.91	456.66
32	296.55	314.56	332.78	351.21	369.80	388.52	407.35	426.25	445.19	454.12
33	307.42	325.84	344.45	363.23	382.15	401.18	420.27	439.41	458.54	477.62
34	318.50	337.32	356.30	375.43	394.66	413.97	433.31	452.64	471.94	491.17
35	329.78	348.94	368.32	387.78	407.30	426.86	446.42	465.93	485.38	504.71
36	341.23	360.81	380.49	400.25	420.04	439.83	459.58	479.25	498.81	518.20
37	352.85	373.78	392.79	412.82	432.86	452.85	472.77	492.58	512.21	531.63
38	364.62	384.88	405.18	425.48	445.73	465.91	485.97	505.86	525.53	544.95
39	376.51	397.09	417.66	438.19	458.64	478.98	499.13	519.08	538.76	558.13
40	388.50	409.37	430.19	450.93	471.66	492.00	512.23	532.19	551.84	571.14
41	400.57	421.70	442.76	463.69	484.44	504.96	525.22	545.16	564.75	583.93
42	412.68	434.07	455.32	476.40	497.24	517.82	538.07	557.96	577.44	596.50
43	424.83	446.43	467.85	489.04	509.95	530.53	550.75	570.54	589.91	608.86
44	436.97	458.75	480.30	501.57	522.51	543.07	563.20	582.90	602.18	621.08
45	449.07	471.01	492.56	513.97	534.89	555.39	575.44	595.06	614.30	633.22
46	461.10	483.16	504.87	526.19	547.07	567.49	587.48	607.08	626.36	645.35
47	473.04	495.17	516.91	538.20	559.02	579.40	599.39	619.04	638.41	657.54
48	484.83	507.02	528.74	549.99	570.79	591.19	611.24	631.01	650.53	659.82
49	496.47	518.66	540.36	561.61	582.44	602.92	623.11	643.05	662.76	682.21
50	507.91	530.10	551.82	573.12	594.06	614.70	635.09	655.23	675.12	694.75
51	519.17	541.39	563.18	584.61	605.73	626.29	647.21	657.56	687.64	707.29
52	530.27	552.59	574.54	596.17	617.54	638.66	659.50	680.07	700.19	719.91
53	541.30	553.80	585.98	607.89	629.53	650.90	671.99	692.63	712.84	732.72
54	552.34	575.10	597.58	619.80	641.73	663.38	684.55	705.29	725.70	745.96
55	563.49	586.59	609.41	631.94	654.18	675.93	697.24	718.20	739.02	759.78
56	574.85	598.32	621.49	644.36	666.73	688.64	710.20	731.61	752.96	774.06
57	586.47	610.33	633.87	656.90	679.46	701.65	723.69	745.68	767.40	788.46
58	598.40	622.66	646.39	669.65	692.52	715.23	737.89	760.27	781.99	802.55
59	610.67	635.16	659.15	682.75	706.18	729.56	752.66	775.06	796.28	816.27
60	623.14	647.92	672.30	696.50	720.65	744.51	767.65	789.57	810.22	830.16
61	635.91	661.11	686.14	711.12	735.79	759.72	782.38	803.74	824.36	844.59
62	649.14	675.06	791.00	726.45	751.23	774.70	796.81	818.16	839.10	858.64
63	663.18	689.98	716.46	742.14	766.46	789.38	811.51	833.22	853.47	870.01
64	678.27	705.75	732.40	757.64	781.43	804.39	826.91	847.93	865.09	881.20
65	694.26	721.95	748.18	772.90	796.75	820.16	842.00	859.83	876.56	891.53
66	710.76	738.05	753.76	788.57	812.92	835.64	854.19	871.59	887.17	....
67	727.18	753.96	779.81	805.16	828.83	848.14	866.27	882.49	....	....
68	743.46	770.41	796.85	821.52	841.66	860.56	877.47	....	....	....
69	760.35	787.94	813.70	834.72	854.45	872.10	....	....	....	....
70	778.40	805.31	827.28	847.90	866.35	....	....	....	....	....

Age.	31st Year.	32d Year.	33d Year.	34th Year.	35th Year.	36th Year.	37th Year.	38th Year.	39th Year.	40th Year.
	$	$	$	$	$	$	$	$	$	$
20	328.23	344.13	360.28	376.66	393.24	409.99	426.89	443.92	461.05	478.23
21	340.04	356.29	372.77	389.46	406.32	423.32	440.46	457.69	474.98	492.31
22	352.12	368.70	385.49	402.46	419.58	436.82	454.17	471.57	489.01	506.45
23	364.43	381.33	398.42	415.65	433.01	450.47	468.00	485.56	503.11	520.63
24	376.97	394.17	411.53	429.01	446.60	464.25	481.93	499.60	517.25	534.82
25	389.71	407.20	424.81	442.52	460.30	478.11	495.92	513.69	531.40	549.00
26	402.64	420.39	438.24	456.15	474.10	492.04	509.95	527.79	545.53	563.11
27	415.74	433.73	451.79	469.88	487.07	506.02	524.01	541.88	559.61	577.14
28	428.99	447.20	465.44	483.68	501.89	520.02	538.05	555.92	573.60	591.06
29	442.37	460.77	479.17	497.53	515.83	534.01	552.04	569.88	587.48	604.80
30	455.85	474.42	492.95	511.41	529.76	547.95	555.95	583.71	601.20	618.37
31	469.41	488.11	506.75	525.27	543.54	561.81	579.75	596.39	614.73	631.71
32	483.01	501.83	520.54	539.09	557.44	575.56	593.38	610.89	628.04	644.81
33	496.64	515.55	534.29	552.83	571.14	589.15	606.84	624.16	641.11	657.70
34	510.28	529.22	547.97	566.47	584.68	602.56	620.08	637.21	653.98	670.42
35	523.87	542.83	561.54	579.95	598.04	615.75	633.08	650.04	666.67	683.02
36	537.39	556.32	574.95	593.25	611.18	628.71	645.87	662.70	679.25	695.55
37	550.80	569.66	588.19	606.34	624.09	641.47	658.50	675.26	691.77	708.08
38	564.06	582.83	601.22	619.20	636.80	654.06	671.03	687.75	704.28	720.60
39	577.16	595.79	614.02	631.86	649.35	666.55	683.51	700.25	716.80	733.14
40	590.04	608.52	626.62	644.36	661.80	679.00	695.98	712.77	729.34	745.69
41	602.69	621.05	639.06	656.77	674.22	691.46	708.49	725.31	741.90	758.14
42	615.50	633.43	651.41	659.14	686.65	703.94	721.02	737.88	754.36	770.52
43	627.45	645.72	663.74	681.53	699.11	716.47	733.60	750.35	766.77	782.92
44	639.67	657.99	676.09	693.97	711.62	729.04	746.09	762.79	779.31	795.52
45	651.87	670.29	688.50	706.47	724.20	741.55	758.54	775.26	791.86	808.42
46	664.12	682.66	700.97	719.03	736.71	754.02	771.05	787.96	804.83	821.50
47	676.45	695.11	713.53	731.55	749.21	766.57	783.81	801.01	818.01	834.49
48	688.87	707.67	726.05	744.07	761.79	779.38	796.94	814.28	831.10	847.03
49	701.41	720.19	738.59	756.59	744.66	792.59	810.31	827.49	843.76	859.09
50	713.95	732.76	751.26	769.63	787.96	806.07	822.64	840.27	855.95	871.08
51	726.54	745.47	764.27	783.03	801.56	819.53	836.55	852.60	868.08	883.27
52	739.30	758.56	777.77	796.75	815.16	832.59	849.02	864.88	880.44	894.96
53	752.46	772.16	791.62	810.49	828.37	845.21	861.47	877.43	892.31	904.46
54	766.17	786.14	805.51	823.86	841.14	857.83	874.20	889.48	901.95	913.66
55	780.30	800.20	819.04	836.80	853.95	870.77	886.46	899.27	911.30	922.06
56	794.52	813.91	823.17	849.80	867.10	883.24	896.41	908.78	919.84	....
57	808.42	827.22	845.37	863.18	879.79	893.36	906.09	917.48	....	....
58	821.93	840.64	858.99	876.11	890.09	903.21	914.95	....	....	....
59	835.57	854.51	872.18	886.60	900.14	912.25	....	....	....	....
60	849.72	867.97	882.87	896.85	909.36	....	....	....	....	....
61	863.46	878.87	893.33	906.26	....	....	....	....	....	....
62	874.59	889.56	902.95	....	....	....	....	....	....	....
63	885.52	899.41	....	....	....	....	....	....	....	....
64	895.61	....	....	....	....	....	....	....	....	....

335. Reserve Values per $1000, Twenty-Payment Life Policies, American Experience, 3½ Per Cent.

Age.	1st Year.	2d Year.	3d Year.	4th Year.	5th Year.	6th Year.	7th Year.	8th Year.	9th Year.	10th Year.
	$	$	$	$	$	$	$	$	$	$
20	13.75	28.65	42.91	58.36	74.44	91.16	108.55	126.64	145.46	165.03
21	14.05	28.65	43.84	59.64	76.07	93.15	110.92	129.40	148.61	168.60
22	14.36	29.29	44.81	60.96	77.75	95.21	113.37	132.24	151.88	172.30
23	14.68	29.95	45.83	62.33	79.50	97.34	115.90	135.19	155.26	176.12
24	15.02	30.64	46.88	63.75	81.30	99.55	118.51	138.24	158.75	180.07
25	15.37	31.35	47.96	65.22	83.17	101.82	121.22	141.39	162.35	184.14
26	15.73	32.08	49.07	66.73	85.09	104.18	124.01	144.63	166.06	188.34
27	16.10	32.84	50.23	68.30	87.09	106.61	126.90	147.98	169.90	192.67
28	16.49	33.62	51.42	69.92	89.15	109.12	129.87	151.44	173.85	197.14
29	16.88	34.43	52.66	71.60	91.27	111.71	132.95	155.01	177.93	201.74
30	17.30	35.27	53.94	73.32	93.46	114.39	136.12	158.69	182.12	206.47
31	17.73	36.14	55.25	75.11	95.73	117.15	139.38	162.47	186.44	211.33
32	18.17	37.03	56.61	76.95	98.06	119.99	142.74	166.36	190.88	216.34
33	18.62	37.94	58.02	78.85	100.47	122.91	146.20	170.36	195.45	221.48
34	19.09	38.91	59.47	80.82	102.95	125.93	149.76	174.49	215.00	226.77
35	19.58	39.90	60.97	82.83	105.51	129.03	153.42	178.73	204.98	232.19
36	20.08	40.91	62.51	84.91	108.13	132.22	157.19	183.08	209.92	237.75
37	20.60	41.96	64.10	87.05	110.84	135.50	161.07	187.55	215.00	243.42
38	21.13	43.03	55.73	89.25	113.63	138.88	165.04	192.14	220.19	249.22
39	21.69	44.15	67.42	91.53	116.51	142.36	169.13	196.83	225.49	255.13
40	22.25	45.30	69.17	93.88	119.46	145.93	173.31	201.62	230.88	261.10
41	22.85	46.50	70.98	96.30	122.50	149.59	177.58	206.49	236.34	267.13
42	23.46	47.73	72.83	98.79	125.61	153.31	181.91	211.41	241.84	273.20
43	24.10	49.00	74.74	101.33	128.78	157.10	186.29	216.37	247.36	279.28
44	24.74	50.30	76.68	103.92	131.99	160.91	190.69	221.34	252.89	285.36
45	25.41	51.63	78.67	106.54	135.23	164.74	195.10	226.31	258.41	291.42
46	26.09	52.98	80.68	109.17	138.47	168.57	199.49	231.27	263.90	297.44
47	26.78	54.35	82.69	111.81	141.70	172.39	203.88	236.19	269.35	303.39
48	27.48	55.72	84.70	114.44	144.93	176.20	208.24	241.08	274.74	309.27
49	28.17	57.07	86.70	117.05	148.14	179.97	212.56	245.91	280.06	315.06
50	28.87	58.43	88.70	119.68	151.35	183.74	216.84	250.70	285.33	320.77
51	29.56	59.80	90.72	122.30	154.56	187.48	221.10	255.44	290.51	326.38
52	30.27	61.19	92.74	124.93	157.75	191.21	225.33	260.12	295.62	331.86
53	30.99	62.58	94.78	127.56	160.94	194.93	229.52	264.75	300.63	337.23
54	31.71	63.98	96.82	130.20	164.14	198.62	233.67	269.29	305.54	342.47
55	32.44	65.40	98.87	132.85	167.32	202.29	237.76	273.77	310.35	347.56

Age.	11th Year.	12th Year.	13th Year.	14th Year.	15th Year.	16th Year.	17th Year.	18th Year.	19th Year.	20th Year.
	$	$	$	$	$	$	$	$	$	$
20	185.39	206.58	228.62	251.54	275.39	300.22	326.05	352.93	380.91	410.03
21	189.40	211.03	233.53	256.94	281.29	306.63	333.00	360.43	388.98	418.69
22	193.54	215.63	238.61	262.51	287.38	313.25	340.15	368.15	397.29	427.62
23	197.82	220.38	243.86	268.27	293.66	320.06	347.53	376.11	405.86	436.81
24	202.24	225.29	249.27	274.20	300.13	327.09	355.13	384.31	414.67	446.28
25	206.80	230.35	254.85	280.31	306.79	334.32	362.96	392.75	423.75	456.00
26	211.50	235.57	260.59	286.60	313.65	341.77	371.01	401.43	433.08	466.00
27	216.35	240.94	266.51	293.08	320.70	349.42	379.29	410.35	442.65	476.26
28	221.33	246.47	272.59	299.74	327.96	357.30	387.79	419.50	452.47	486.77
29	226.47	252.16	278.85	306.59	335.42	365.38	396.52	428.88	462.53	497.52
30	231.75	258.01	285.29	313.63	343.07	373.67	405.45	438.48	472.81	508.49
31	237.18	264.02	291.90	320.85	350.92	382.15	414.59	448.28	483.29	519.67
32	242.76	270.20	298.68	328.26	358.95	390.82	423.91	458.27	493.95	531.04
33	248.50	276.53	305.63	335.82	367.16	399.67	433.40	468.42	504.78	542.58
34	254.38	283.03	312.74	343.56	375.52	408.67	443.04	478.72	515.77	554.30
35	260.41	289.67	320.00	351.44	384.02	417.79	452.81	489.15	526.90	566.15
36	266.57	296.44	327.39	359.44	392.64	427.03	462.69	499.70	538.14	578.13
37	272.86	303.35	334.89	367.54	401.35	436.37	472.67	510.34	549.49	590.22
38	279.27	310.34	342.48	370.73	410.14	445.78	482.72	521.06	560.90	602.39
39	285.76	317.42	350.14	383.98	418.99	455.24	492.82	531.82	572.38	614.63
40	292.31	324.55	357.85	392.27	427.87	464.74	502.94	542.61	583.89	626.92
41	298.92	331.72	365.59	400.59	436.77	474.23	513.07	553.41	593.40	639.24
42	305.54	338.91	373.34	408.90	445.66	483.71	523.17	564.18	606.90	651.55
43	312.18	346.09	381.07	417.18	454.50	493.14	533.22	574.89	618.35	663.83
44	318.80	353.25	388.75	425.40	463.28	502.49	543.18	585.52	629.73	676.07
45	325.39	360.35	396.37	433.55	471.96	511.74	553.03	596.04	641.01	688.24
46	331.91	367.37	403.90	441.58	480.51	520.84	562.73	606.41	652.15	700.30
47	388.35	374.31	411.32	449.48	488.91	529.77	572.26	616.61	663.14	712.23
48	344.71	381.12	418.59	457.21	497.13	538.51	581.58	626.60	673.92	724.01
49	350.96	387.80	425.70	464.76	505.15	547.02	590.65	636.34	684.48	735.60
50	357.08	394.34	432.64	472.11	512.92	555.27	599.45	645.80	694.78	746.98
51	363.08	400.71	439.38	479.23	520.43	563.23	607.94	654.95	704.79	758.13
52	368.93	406.90	445.91	486.09	527.65	570.86	616.07	663.74	714.47	769.04
53	374.62	412.90	452.19	492.66	534.54	578.13	623.83	672.15	723.81	779.72
54	380.15	418.68	458.20	498.91	541.06	584.99	631.15	680.15	732.81	790.18
55	385.47	424.20	403.91	504.80	547.18	591.40	638.02	687.73	741.48	800.48

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